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February 17, 1992

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Is&Investments

The Newspaper of Corporate and Institutional Investing

$10 An Issue/$150 A Year

'91 real estate returns plunge to record lows

Some property funds drop as much as 20%

By Steve Hemmerick

Pension funds and their real estate managers — already reeling from poor performance — are bracing for what threatens to be the worst one-year performance for pension funds since they began investing in real estate in 1970.

Real estate performance is being beaten down by losses in value. But even with a positive flow of income, the best 65 real estate funds could do in 1991 was a record low −8.6% median total return, according to SEI Capital Resources, Wayne, Pa. The previous record, 2.2%, was set in calendar year 1990.

The largest drop in the SEI universe came in trophy class properties — the properties pension fund executives thought could insulate them from falling real estate performance. But SEI said those trophy properties fell 8.3%. Core properties fell 7.2%, while the opportunity style — which concentrates on higher-risk assets such as highly leveraged and high-vacancy buildings and non-traditional properties — fell 6.2%.

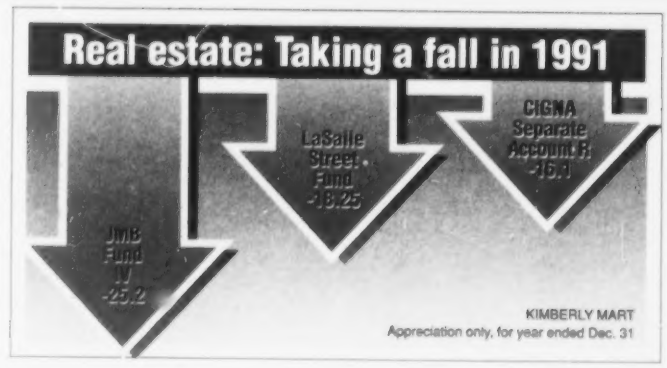
The real estate research department of Salomon Brothers Inc., New York, predicted the year-end numbers for the Russell-NCREIF Property Index could hit −4.5% — even when income is included.

That figure would be more than 550 basis points below the previous Russell-NCREIF low of 1.2% for calendar year 1990. The Russell-NCREIF performance numbers, which don't include leveraged real estate, go back to 1978.

Even prestigious commingled real estate funds with highly regarded investment managers have lost 15% to 25% of their value in one year, according to preliminary 1991 returns.

Some consultants estimate the overall loss of real estate equity portfolios, excluding income, could be 10% to 15% of the estimated $100 billion pension funds

See **Plunge** *on page 45*


Real estate: Taking a fall in 1991
JMB Fund IV -25.2
LaSalle Street Fund -18.25
CIGNA Separate Account R -16.1
KIMBERLY MART
Appreciation only, for year ended Dec. 31

AT DEADLINE

Fund drops S. Africa curbs

The $200 million Fairfax County (Va.) Police Retirement Fund has removed restrictions on investments in South Africa. In January, two other Fairfax County funds, the $675 million Supplemental Retirement Fund and the $200 million Uniform Retirement System, rescinded their restrictions.

Peruvian plan moving ahead

Peru expects to begin its recently privatized social security system in April, according to a Peruvian business executive.

Money management for the new system is open to foreign investment companies, said Pablo Bustamente Pardo, assistant director, Compania Minera Milpo, a Lima-based mining company.

Managers are hired

The Associated Blind hired Bear Stearns Asset Management to run its $5 million of investment reserves in a balanced account. The assets had been split between an internal fixed-income portfolio and an equity account with T. Rowe Price.

The $504 million **Minneapolis Teachers' Retirement Fund Association** hired Investment Advisers Inc. to run $35 million that will be invested in the stocks of Midwest companies. The fund terminated The Marshall Plan and GAMCO Investors Inc.

The $258 million **City of Providence (R.I.) Employees Retirement System** hired Aquarius Capital Management for a $1 million equity account, pending further discussions. The Hannah Group was consultant.

Lipper forms joint venture

Lipper & Co. and Italy's Prime S.p.A. formed a joint venture to manage European growth stocks. The venture, called Prime Lipper Asset Management L.P., will be based in New York and mainly target the U.S. pension market.

Investors shun Dow, Corning stocks

By Steve Hemmerick and Fred Williams

Fears of expanding medical claims for defective silicone breast implants — which have hurt the stocks of Dow Chemical Corp. and Corning Inc. — are keeping some institutional investors away from the companies.

Corning's stock price is being hit hardest because the company is much smaller than Dow, so bad news has more of an effect, said Don Daly, senior portfolio manager at Brundage, Story & Rose, New York. Dow's stock has languished in the face of a positive earnings surprise in the fourth quarter and a bull market.

Corning's employees are among the stockholders taking a beating. Their stake in Corning — some 47% of the Corning 401(k) plan was in company stock as of Sept. 30 — has declined in value by almost $30 million from $259 million.

Neither Dow Chemical nor Corning makes silicone breast implants, but they are equal partners in Dow Corning Corp., their non-publicly traded joint venture. Over a 30-year period, Dow Corning has manufactured 600,000 silicone devices for breast implants. In early January, as lawsuits were beginning to be filed, the Food and Drug Administration declared a 45-day moratorium on new silicone breast implants.

Dow and Corning shares are being affected by fears that claims against Dow Corning for medical problems will be able to financially pierce a corporate veil that is supposed to insulate the joint venture partners from claims against the subsidiary.

Corning stock is off about 18% on the year, Mr. Daly said, while the price of Dow stock hasn't changed much. "It's a smaller matter to (Dow) in a financial sense," he said.

Refiguring the price of Corning stock before a Feb. 11 stock split, Frank Bogan, a vice president

See **Implants** *on page 44*

A.J. Kitt of the United States finishes his downhill ski run in the international competition in Albertville.

Olympic Foundation wins investing gold

By Curtis Vosti

COLORADO SPRINGS, Colo. — As U.S. athletes go for the gold in Albertville, the foundation that supports them has struck paydirt in the competition of the capital markets.

The foundation's performance and investment strategy are close to gold-medal caliber, at least one consultant believes.

The $183 million U.S. Olympic Foundation had a 15.8% total return for its most recent fiscal year, ended Sept. 30, more than 10 percentage points above the level of support it sends to the U.S. Olympic Committee annually.

The returns also illustrate a modern approach to foundation and endowment investment strategy that has become as commonplace — despite its once-novel standing — as the Fosbury Flop or the triple axel have become for the Olympics.

The foundation's performance and asset mix are "certainly close" to gold-medal caliber, according to John Goodrich, president of Colonial Consulting Corp. Inc., a New York-based consultant to foundations.

"It seems to be a well-thought-out, long-range approach to maintaining the corpus and throwing off 5% of an ever-increasing market value," Mr. Goodrich said.

"It sounds like they're very enlightened in what they are doing," said Thomas Astley, president of Wellesley Group Inc., a foundations and endowment consulting firm in Waltham, Mass. "The amount they are spending is right

See **Olympics** *on page 42*

NEWS DIGEST

AP-WIDE WORLD PHOTOS

President George Bush unveils a health care reform package that could cost employers but still meets with the wishes of corporate benefit managers. Page 6.

Ten large foundations are joining forces to create an investment fund for smaller foundations. Page 21.

Numerous experts are critical of the new Standard & Poor's MidCap 400 Index. Page 33.

SPECIAL REPORT: PIPER

Health and growth stocks dominate the top equity funds in the fourth quarter. Page 23.

Raw timberland is outperforming top-grade office, warehouse and regional mall properties. Page 23.

FINANCING

Institutional investors are eager to snap up Chrysler Corp.'s offering of convertible preferred stock. Page 4.

INTERNATIONAL

The Matuschka Group is abandoning the institutional market and will sell its U.S. unit. Page 37.

REAL ESTATE

What threatens to be the worst one-year performance ever has funds and managers edgy. Page 1.

Pension funds are making new or more extensive moves into the commercial mortgage market. Page 3.

DEPARTMENTS

Classified	44	Letters	14
Commentary	14	Opinion	12
Datebook	32	People	38
Frontlines	8	Portfolio management	35
Hirings	39	Statistically speaking	17

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Adviser survey in the mail

Questionnaires for *Pensions & Investments'* annual survey of investment managers have been mailed. The completed forms, to be used for a special issue published May 18, must be returned by Feb. 25. If you have not received a questionnaire and want to be included in the directory, or if you have any questions, contact Christine Philip, directory coordinator, at (312) 649-5217.

Warning signals revealed

Managers say they'll sell stocks if interest rates rise

By Margaret Price and Anne Schwimmer

Money managers are closely watching interest rates and Federal Reserve Board policy as the key to the continuation of the current bull market.

While they are optimistic for now — most see no sign of a significant decline and are staying virtually fully invested — the managers say any increase in interest rates or wavering by the Fed could pull the trigger on the market.

"I think the biggest single thing that would scare us would have to do with interest rates rising," said Thomas Larkin, president and chief executive officer of Trust Co. of the West, Los Angeles.

Of course, the Fed cannot ease forever, and some see a chance for a market drop in the next six to nine months, as the economy recovers and interest rates rise.

"There probably is going to be a time to sell in 1992, but it isn't now," said Steven Leuthold, chairman of the Leuthold Group, an investment research firm in Minneapolis. But "the possibility that interest rates have seen their lows for the cycle" might spur a market sell-off.

While "interest rates have us paranoid, on a short-term basis we are looking at the breadth of the market, looking at the mix of advancers and decliners," said Jon Boscia, chief investment officer of Lincoln National Corp., Fort Wayne, Ind.

The bull market is soundly supported by low interest rates, low inflation and widespread hopes for an economic recovery this year, many investment managers maintain.

Few see sell signals — although some are nervously pointing to low dividend yields and high price-earnings ratios that have heralded market tumbles in the past.

But February 1992 is no October 1987, most declare.

Missing today are 1987's high interest rates, booming mergers and acquisition activity, and strong interest from foreign investors who are often late entrants into a U.S. market rally. This time, the market not only has ample support from institutional investors but also the unusual backing of individual investors. Recently, many individuals have been fleeing certificates of deposit and money market instruments for the perceived higher returns from equities.

The Leuthold Group's Mr.

See **Market** *on page 43*

New firm steals bank's thunder

Delta Asset lands $2 billion in assets

By Steve Hemmerick

LOS ANGELES — Executives of Security Pacific Investment Managers Inc. still are scratching their heads in bewilderment as to how they lost one of the best performing equity investment teams in the nation and about $2 billion in pension assets under management.

Until last summer, SPIM's equity team was racking up high performance numbers at below-market risk. They had about $2.6 billion in equity investments under management.

Then three key members of the equity team bolted: Robert Sandroni, former president and chief investment officer of the equity division; Carl Goldsmith, former senior vice president and senior equity portfolio manager; and William Hibschman, a former vice president and head of client relations.

The executives set up shop in the same town under a new name, Delta Asset Management, and a new parent, Furman Selz Capital Management, New York.

That was bad enough for surprised executives at SPIM who had new competition. But the shock came when SPIM's largest clients started to leave for neighbor Delta Asset Management. On Sept. 6, Delta opened for business with no money or clients. By Sept. 30, Delta had four clients and about $950 million under management.

Today, Delta Asset Management has 13 clients and $2.2 billion under management, almost all of it from former SPIM clients. Delta got $460 million temporarily from the $4.2 billion Los Angeles Fire & Police Retirement System, until the fund completes a search in which Delta is a finalist.

Another $359 million came from the $12 billion Los Angeles County Retirement Association; an unspecified amount came from the $1.1 billion San Diego County Employees Retirement System; and $95 million from the $765 million Ventura County Retirement System, Ventura, Calif. All are former SPIM clients. Some $90 million came from another SPIM client, the Northrop Corp.,

See **Delta** *on page 41*

Quirk indicted on tax charges

TOM REED

Paul Quirk's connection with Corporate Rebuilders Partners has been severed.

By Terry Williams

BOSTON — At least one pension executive has said the indictment of Paul Quirk, former director of the Pension Reserves Investment Management Board, will have no effect on his plan's decision to consider a corporate turnaround investment Mr. Quirk was marketing.

Mr. Quirk and his wife, Elizabeth A. Quirk, the former director of finance for Boston-based PRIM, were indicted earlier this month. He is charged with two counts of filing false Massachusetts tax returns and one count of larceny over $250. She is charged with three counts of filing false state tax returns, 12 counts of issuing false withholding statements and four counts of larceny over $250.

Mr. Quirk joined The Boston Corporate Finance Group Inc., an investment bank, as a managing director in April after leaving PRIM in December 1990.

Recently, he was marketing to pension funds Corporate Rebuilders Partners, a limited partnership that is seeking to raise money to invest in companies with excessive debt that are trying to restructure.

Corporate Rebuilders Partners was scheduled to make a presentation to the board of trustees of the $64 billion California Public Employees' Retirement System Feb. 18, according to DeWitt Bowman, chief investment officer.

The trustees and the investment staff of the California system will continue to evaluate the investment, Mr. Bowman said. A decision on whether to invest is expected at that meeting, he said.

It could not be learned what other retirement systems might be considering investing in the partnership.

See **Quirk** *on page 41*

MONEY MANAGERS

New CIO is happy with less — because it's her firm

MICHAEL A. MARCOTTE

The executives of Chicago's Abacus Financial Group Inc. are Cynthia Plouche, left, Judith Ann Calder and Adela Cepeda.

■ Cynthia Plouche now is managing less than 1% of the money she oversaw while at Equitable Capital Management Corp., but she couldn't be happier.

"It's not that I didn't take pride in my work" at Equitable, said Ms. Plouche, now chief investment officer with Abacus Financial Group Inc., Chicago. But running your own business takes on a whole new meaning as to what the rewards will be, she said. "There is an entity here that I'm responsible for."

"I love it," she said. "I'm glad I'm doing it."

Abacus, a fixed-income money manager, recently picked up its first client — a $5 million portfolio from the $1.84 billion Cook County Annuity & Benefit Funds. The firm was founded in May by Adela Cepeda and Judith Ann Calder.

Ms. Cepeda formerly was a vice president with Smith Barney's corporate finance department. Ms. Calder is a 20-year public finance investment banking veteran, serving with Lehman Brothers, First Chicago and Harris Trust.

When Ms. Plouche left Equitable at the end of March, she was responsible for the management of primarily fixed-income portfolios in excess of $7 billion. Her particular area of expertise was in mortgage-backed securities, although she also managed a U.S. timberland fund. Between Equitable and joining Abacus at the end of June, Ms. Plouche was a portfolio manager at Chicago Title & Trust Co.

— Terry Williams

INTERNATIONAL

First Boston goes to a global view

John J. Cook Jr. wants to see more pension funds as clients.

■ John J. Cook Jr., First Boston Asset Management's new chairman, plans to turn the firm into a global institutional manager from his home base in Boston.

Mr. Cook, formerly head of institutional asset management for Fidelity Investments, said he intends to build on First Boston's established fixed-income expertise to create a place for the firm in international equity investing as well.

Key to this bold plan is sister-firm Credit Suisse First Boston Investment Management Ltd., London, which Mr. Cook hopes will prove a springboard to more international investing — and more international clients. Mr. Cook is also chairman of that firm.

"First Boston has enormous resources from a global perspective and we want to draw on what's in place and build on those capabilities," he said. Mr. Cook explained First Boston's current investment expertise focuses on "a very strong fixed-income capability with a mortgage-backed securities emphasis and a junk-bond capability."

He admitted, however, only a fraction of the two money management firms' $19 billion in assets are managed for pension funds. He said that statistic is one he is determined to change.

For now, Mr. Cook intends to bring in new staffers with equity expertise, and he hopes to base them in his Boston office. First Boston Asset Management currently is based in New York.

"I'm not going to be an island to myself in Boston," he said. "Over time as we broaden the base of the firm, that will be done in Boston and perhaps some of my associates here in New York would like to move to Boston, just as I and my family enjoy living there," Mr. Cook said. He added today's technology makes a 200-mile distance "not that important" in any case.

— Anne Schwimmer

ECONOMY

Bush scores low in pension survey

■ Almost two-thirds of the pension investment community disapproves of the way President Bush is dealing with the U.S. economy, a new survey shows.

"The percentage of those disapproving (63%) was surprisingly large, considering the fact that the respondents represent traditionally friendly forces and particularly since their pension funds experienced record capital markets appreciation in 1991," said Kenneth E. Brunke Jr., senior vice president of Callan Associates Inc. and executive director of the Callan Investments Institute.

Some 248 pension executives, money managers and consultants participated in the "flash" survey conducted by San Francisco-based Callan.

Despite their disapproval of the president's overall handling of the economy, 59% believe his proposal to sharply reduce capital gains taxes is politically feasible.

The survey also showed:

- Some 82% believe the Federal Reserve Board should continue to push interest rates lower.
- Forty-two percent of respondents say Bill Clinton will get the Democratic presidential nomination vs. 19% for Bob Kerrey, 6% each for Paul Tsongas and Tom Harkin and 3.4% for Jerry Brown. Mario Cuomo got 18.5% as a write-in candidate.
- Respondents were split on whether Boris Yeltsin will be in power in Russia a year from now.

— Nancy Webman

WASHINGTON

SEC sets sights on the big, risky

■ The Securities and Exchange Commission in 1993 will target for inspection money managers running more than $1 billion in assets or having high-risk profiles.

According to the SEC's budget request for fiscal 1993, the agency has fallen behind in inspections of the burgeoning ranks of investment advisers — some 1,700 advisers who manage $5.3 trillion, of which $1.3 trillion represents mutual fund assets.

In addition, the SEC wants to boost the number of positions in its investment management division by 14, by far the largest increase in staff positions for any of the agency's divisions.

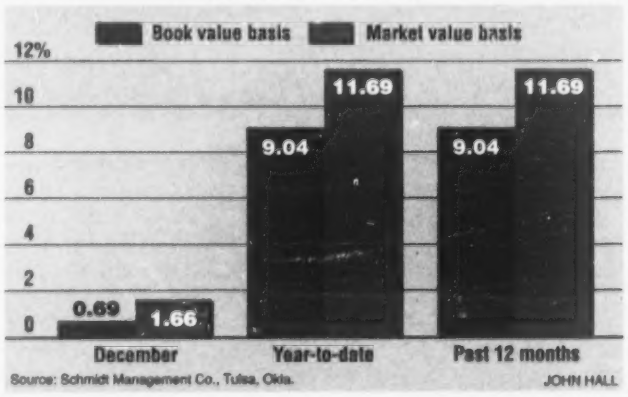
By targeting the largest money managers, the investment management division would shorten the average period it inspects managers to 24 years from 30 years currently, though the SEC admits this level is "far from the optimum level for an inspection cycle."

The SEC staff also will inspect the 100 largest mutual fund complexes and all money market funds, as well as some small complexes and stand-alone funds.

— Joel Chernoff

Schmidt composite GIC indexes

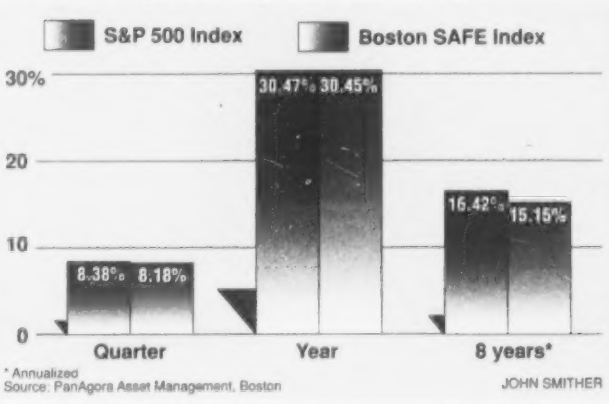
(Periods ended Dec. 31)



Source: Schmidt Management Co., Tulsa, Okla. JOHN HALL

Boston SAFE Index

(Total return; periods ended Dec. 31)



* Annualized
Source: PanAgora Asset Management, Boston JOHN SMITHER

INVESTING

Small-cap stocks score big in '91

■ It's a record for small-capitalization stocks, at least as far as Frank Russell Co. is concerned.

Small-cap stocks, as measured by the Tacoma, Wash., consultant's Russell 2000 Index, had their best year yet, returning 46.05%.

The previous record was 43.09%, achieved in 1979 — the same year the index premiered.

The 1991 record was a far cry from the previous year, when the index returned −19.05%.

The best month for the Russell 2000 was February, when it returned 11.2%.

The Standard & Poor's 500 Stock Index returned 30.5% for the year; its best month was December, when it climbed 11.4%.

In December, the Russell 2000 rose 8%.

— Pete Retzbach

BENEFITS

Annual maximum increased by IRS

■ The maximum annual benefit that can be obtained from a defined benefit plan was increased to $112,221 from $108,963 by the Internal Revenue Service.

The new limit went into effect Jan. 1.; the limit is adjusted for inflation annually. The limit for defined contribution plans remains fixed at $30,000. Under the law, the latter limit will not be adjusted until the defined benefit limit tops $120,000.

— Joel Chernoff

REAL ESTATE

Insurance companies' mortgage problems persist

■ Insurance company executives continue to face problems with the insurer's real estate investment portfolios.

According to a Salomon Brothers Inc. report, insurance companies saw their mortgage loan delinquencies rise in the third quarter of 1991 but at a slower pace than in the first half of the year.

Citing figures from the American Council of Life Insurance, the report showed delinquencies for commercial properties reached 5.75% in the third quarter, surpassing the previous high of 5.41% June 30.

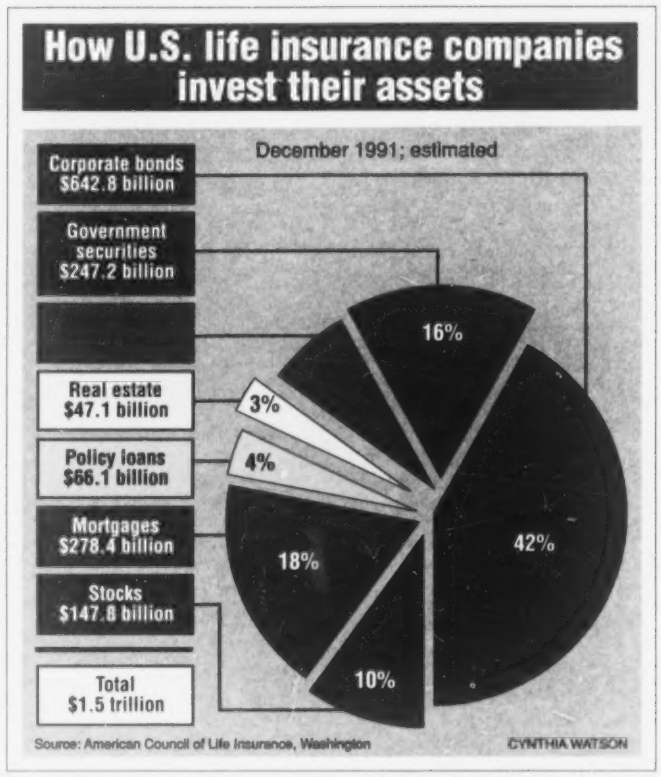
Commercial properties account for more than 90% of the $220 billion outstanding in life insurance companies' loans.

The overall delinquency rate was 5.61% Sept. 30, according to the Salomon report, and was an all-time high for the ACLI survey.

In a separate report, Duff & Phelps Inc., the Chicago credit rating agency, said insurance companies were major sellers of high-yield bonds during the past 18 months.

Without citing actual figures, Duff & Phelps said insurance companies have been selling junk bonds "primarily because of the poor perception of holding these assets."

— Fred Williams



FINANCING

LBO pool buys stake in Kash N Karry

■ Pension funds have bought controlling interest in Kash N Karry Food Stores Inc. through their investment in a leveraged buy-out fund.

The unidentified pension funds are investors in the $225 million Green Equity Investors fund. Leonard Green and Partners, a Los Angeles buy-out boutique, used $27.7 million from the fund to purchase 55% of Kash N Karry through newly issued shares.

Prior to the new issue, an LBO fund managed by Gibbons, Goodwin, van Amerongen, New York, held a controlling stake in the company. The new stock sale was the first part of an $80 million recapitalization of the company, announced two weeks ago.

Gibbons Goodwin put up an additional $2.3 million, which with its previous stake, left the firm's Fulcrum III fund with a 30% stake in the company. The $425 million Fulcrum III fund was raised from pension funds as well.

With this final stake, Fulcrum is now fully invested. The Green Equity Investors fund is about one-third invested, a Green and Partners official said.

— Anne Schwimmer

Pension fund investors now own 55% of Kash N Karry Food Stores through their investment in a leveraged buy-out fund.

ASSOCIATIONS

Analysts' group serves industry for 3 decades

■ A little more than 30 years ago, the Institute of Chartered Financial Analysts was formed to bring a greater degree of professionalism to security analysts.

The business surely needed it: a 1963 Securities and Exchange Commission study found that 89 of 141 advisers who had registered with the SEC during one three-month period had never worked in the securities industry before. In addition, more than 40% of them had no degree higher than a high-school diploma.

The Financial Analysts Federation spun off the ICFA Jan. 30, 1962, to be the source of accreditation of financial analysts and other investment professionals.

In June 1963, the ICFA administered its first CFA exam to 278 men and six women, of whom 16 failed. Now, earning a CFA requires passing three six-hour exams taken over a three-year period, and the program has become the standard for investment professionals in the United States and abroad.

Nearly 15,000 CFA charters have been awarded to date. An equal number of candidates now are enrolled in the program — one-sixth of whom live outside North America and come from 50 different countries.

Meanwhile, the ICFA merged back into the FAF in 1990, to form the Association for Investment Management and Research.

"We see the potential of the CFA designation becoming the international standard for investment professionals," said Darwin Bayston, president and chief executive officer of the AIMR.

— Joel Chernoff

INTERNATIONAL

Canadian funds get foreign lift

■ The median Canadian pension fund posted a 17.9% total return in 1991, aided by stellar gains in foreign equity holdings and Canadian bonds, according to the Canadian Trust Universe Comparison Service, Toronto.

The funds' foreign equity holdings returned 29.1%, while the Canadian bond holdings returned 22.1%. In the fourth quarter, funds had a median gain of 5.4%, the service reported.

But funds failed to outpace both the Standard & Poor's 500 Stock Index in Canadian dollars, with its 1991 and fourth quarter gains of 30.1% and 10.6% respectively, and the Scotia-McLeod Inc. Universe Bond Index, which rose 22.1% for the year and 6.1% for the fourth quarter.

Balanced funds outperformed the Toronto Stock Exchange 300 Index for the year and fourth quarter. The index returned 12% and 4.6% respectively.

The funds' median 37% exposure to Canadian equities "helped drag down returns of the funds overall," said Gordon Garmaise, president of Garmaise Investment Technologies Inc., Toronto.

Garmaise Investment Technologies, together with Wilshire Associates, Santa Monica, Calif., runs the Canadian Trust Universe Comparison Service. It measures the performance of more than 800 Canadian pension fund portfolios, representing almost $45 billion Canadian ($38.1 billion U.S.).

— Margaret Price

PEOPLE

Haugen teams with DeMarche

■ Robert Haugen, author, educator, speaker and investment theorist, has signed a consulting contract with DeMarche Associates, Kansas City, Mo.

Mr. Haugen, professor of finance at the Graduate School of Management of the University of California at Irvine, will provide asset allocation and asset/liability modeling to selected DeMarche clients.

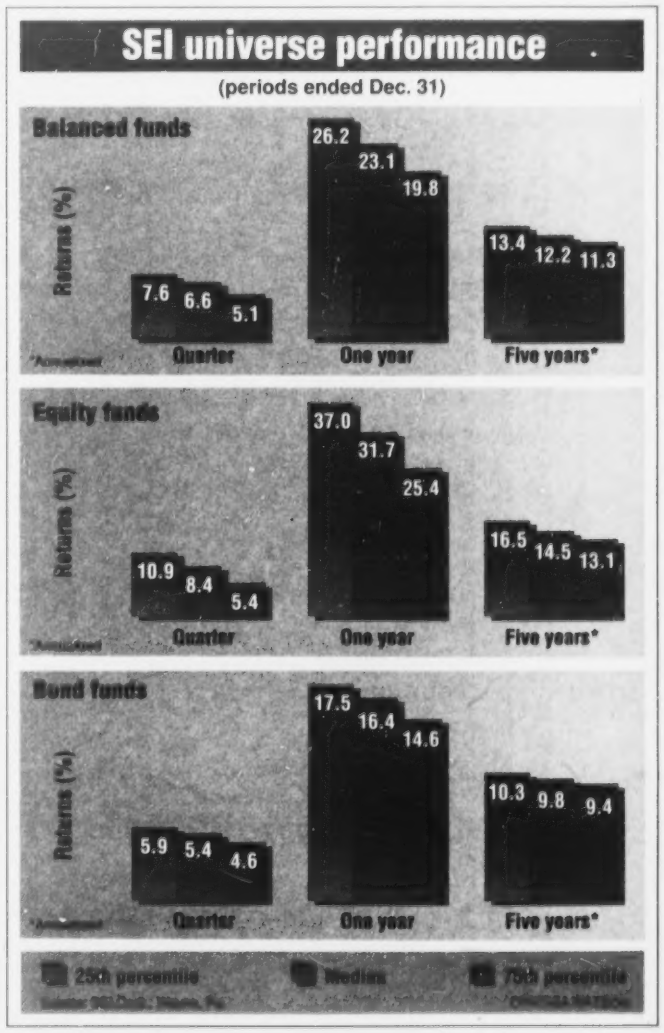
"There is a great deal of synergy between his research and some of the things we are working on as a firm and so naturally we are very pleased that Bob has agreed to join with us," Robert F. Marchesi, DeMarche president, said in a statement.

Although Mr. Haugen will not be ending his 17-year relationship with Milwaukee-based National Investment Services of America, NISA officials were calling around the country to assure clients — and other consultants — the Haugen-DeMarche pairing has no effect on NISA or its relations to Haugen.

"We have many relationships with consulting firms, but no ties to any of them," said Joseph Gorman, NISA president.

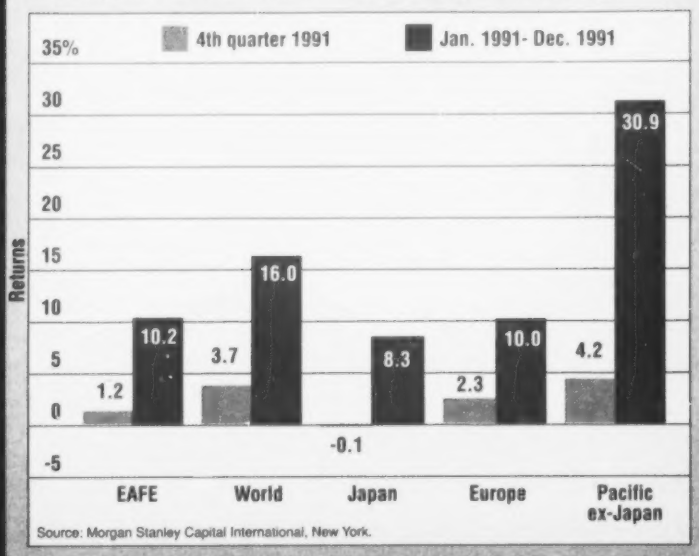
Mr. Haugen will continue to provide NISA with academic research and ideas that seek to encourage effective asset management. "He probably spans as wide an area as anybody" in investment management and theory, Mr. Gorman said.

— Curtis Vosti



MSCI Worldwide indexes

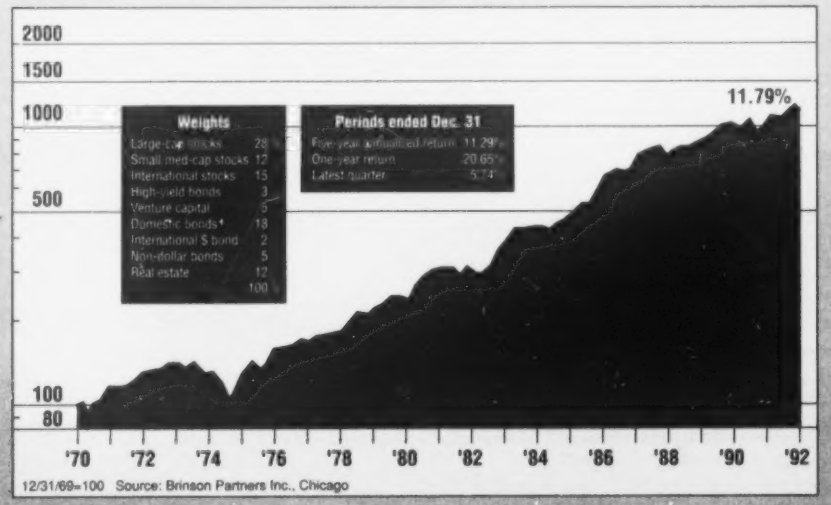
Indexes are in U.S. dollar terms without dividends re-invested



Source: Morgan Stanley Capital International, New York.

Multiple Markets Index

The Multiple Markets Index is a benchmark for total portfolio returns. It is composed of nine asset classes used by retirement plan executives; it is calibrated to reflect the same degree of risk of the typical pension portfolio; it uses passive fixed policy weights; and it represents the individual asset classes by the broadest and most complete market return data available.



12/31/69=100 Source: Brinson Partners Inc., Chicago

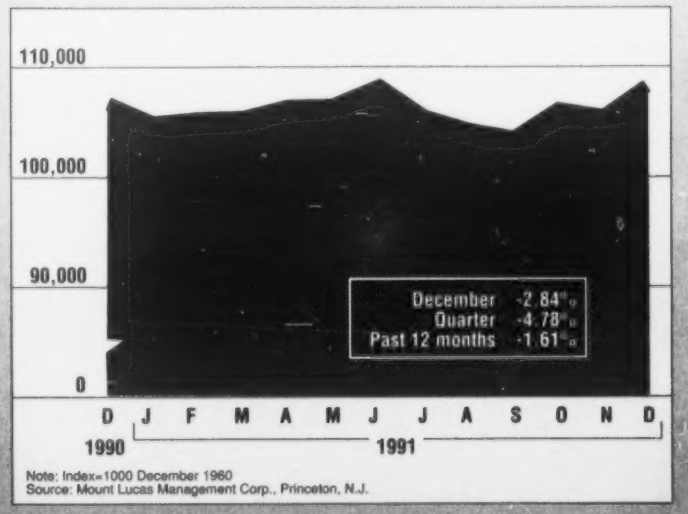
Russell indexes by economic sector

Fourth quarter 1991 returns

	Russell 3000	Russell 2000	Russell 1000
Consumer discretionary	9.71	3.68	10.21
Financial services	9.04	6.25	9.34
Integrated oils	-1.00	-14.09	-0.95
Other energy	-10.45	-10.73	-10.42
Technology	5.39	8.09	5.13
TOTAL	8.74	5.73	8.93

MLM Index

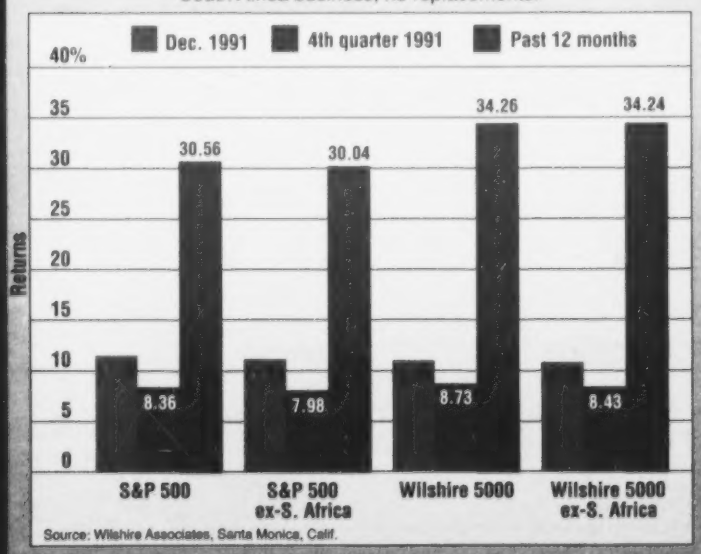
The MLM Index is an unleveraged index used as a benchmark to evaluate commodity futures investments. Periods ended Dec. 31.



Note: Index=1000 December 1960
Source: Mount Lucas Management Corp., Princeton, N.J.

South Africa Free Index

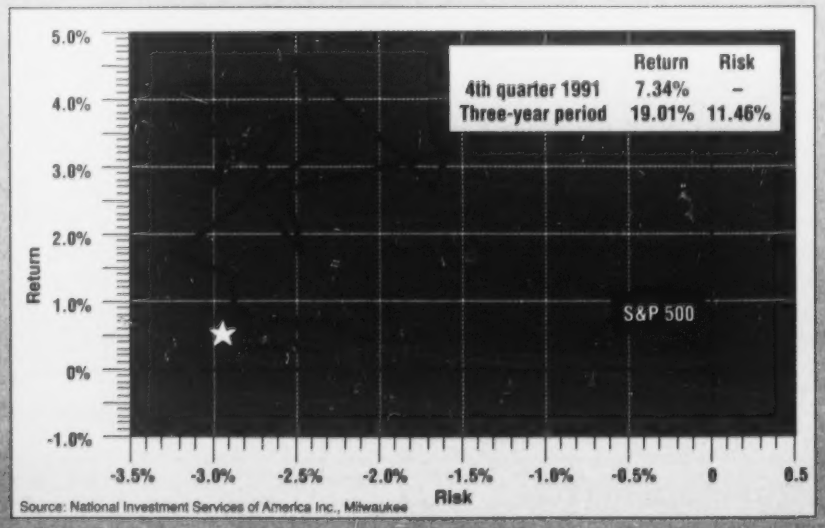
Ex-S. Africa excludes stock of companies with an equity stake in a South Africa business, no replacements.



Source: Wilshire Associates, Santa Monica, Calif.

An Efficient Index

The Efficient Index is an S&P 500 portfolio optimized for the lowest volatility during the previous two-year period, subject to four constraints. The line represents the return and risk figures for the optimized index relative to the S&P 500 during rolling three-year periods.



Source: National Investment Services of America Inc., Milwaukee

GRAPHICS BY CYNTHIA WATSON

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Falling interest rates reflect on contracts

GIC/BICs follow the downward trend

By Fred Williams

Rates on guaranteed investment instruments tumbled along with interest rates during the fourth quarter as demand slackened while investors turned to alternatives or waited for rates to improve.

The one percentage point cut in the discount rate in December resulted in an average 0.75 to 1.17 percentage point decline in GIC rates, depending on the term and deposit amount.

John Knight, president of Lamberson Knight Inc., a Short Hills, N.J., GIC brokerage firm, said rates on a five-year bullet contract declined to nearly 6.7%.

He said the drop in GIC rates should not dramatically affect 401(k) plan returns because most are based on a blended rate and, unless rates remain depressed for several years, the blended rate should remain attractive "compared with other alternatives."

Peter Bowles, chief investment officer at Fiduciary Capital Management Inc., Woodbury, Conn., said that "for the first time in several years" there were no signs of a significant year-end insurance issuer capacity constraint affecting the GIC market.

Mr. Bowles said the lack of a capacity crunch reflects better planning by plan sponsors in placing contracts throughout the year rather than waiting until the fourth quarter.

Mr. Knight said the slackened demand could be due partly to the use of GIC alternatives and other investment options, as well as some parking cash on the sidelines and waiting for a rate recovery.

The following insurance company rate quotes on bellwether five-year, single-deposit, simple interest, $1 million GICs were provided by Lamberson Knight and GIC Inc., Beaverton, Ore. The first number is for late December, the second for late September 1991:

- Allstate Life Insurance Cos., Northbrook, Ill.: 6.41% vs. 7.9%.
- Capital Initiatives Corp., Louisville, Ky.: 6.32%; no quote.
- CNA Insurance Co., Chicago: 6.44%; 7.34%.
- Confederation Life Insurance Co., Atlanta: 6.57%; 7.67%.
- Continental Assurance Co., Chicago: 6.34%; no quote.
- Hartford Life Insurance Co., Hartford, Conn.: 6.28%; 7.1%.
- John Hancock Mutual Life Insurance Co., Boston: 6.45%; 7.49%.
- Life Insurance Co. of Virginia, Richmond: 6.68%; 7.49%.
- Lincoln National Life Insurance Co., Fort Wayne, Ind.: 6.37%; 7.35%.
- Manufacturers Life Insurance Co., Toronto, 6.49%; no quote.
- Massachusetts Mutual Life Insurance Co., Springfield: 6.02%; no quote.
- Nationwide Life Insurance Co., Columbus, Ohio: 6.24%; no quote.
- New York Life Insurance Co., New York: 6.5%; 7.55%.
- Northwestern National Life Insurance Co., Minneapolis: 6.39%; 7.36%.
- Ohio National Life Insurance Co., Cincinnati: 6.73%; 7.6%.
- Pan American Life Insurance Co., New Orleans: 6.44%; no quote.
- Penn Mutual Life Insurance Co., Philadelphia: 6.46%; no quote.
- SAFECO Corp., Seattle: 6.77%; no quote.
- State Mutual of America, Worchester, Mass.: 6.49%; no quote.

William M. Mercer Asset Planning Inc., Deerfield, Ill., surveys insurance companies for rate quo-

See **Speaking** *on page 20*

A FOCUS ON 401(k) RECORDKEEPING SERVICES

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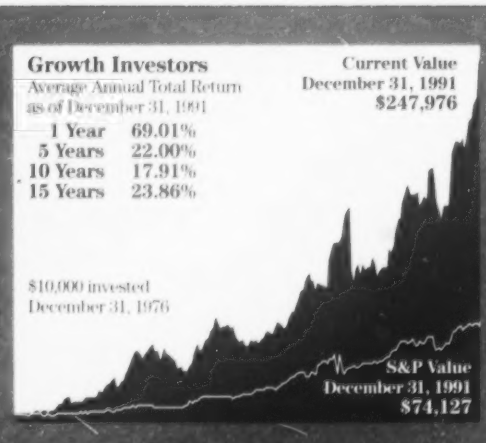

Performance data quoted represents past performance. Investment return and principal value will fluctuate and redemption value may be more or less than original cost. Assumes reinvestment of dividends.

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Please read the prospectus carefully before investing. ©1992 Twentieth Century Services, Inc.

POWER plan revised to be more palatable

WASHINGTON — The Bush administration's POWER proposal for small business pension plans has been revised to make it more likely Congress would pass it.

The Pension Opportunities for Workers' Expanded Retirement plan is designed to encourage the formation of pension plans in smaller companies that don't have them by giving the companies the opportunity to avoid discriminatory testing in return for a minimum level of contributions.

When originally proposed, the Department of Labor set an annual 2% minimum contribution of salary for every eligible employee — whether or not they contributed to the plan. Among the revisions included in a recent Treasury Department budget report is reducing the minimum to 1%.

"The POWER proposal was, as (Labor Department) Secretary Martin said last year, always intended to be somewhat flexible and pliable to help it get passed," said a Department of Labor spokesman.

The spokesman said the revisions, of which the 1% funding minimum is the most significant, do not indicate the administration is giving up on the plan. Indeed, the administration is optimistic the provisions will be included in any pension simplification bill that comes out of Congress.

The spokesman said the revision was in response to the concerns of the U.S. Chambers of Commerce, the Small Business Administration and others that a 2% minimum would be too costly to encourage participation. ■

NLRB rules on plans' role

A multiemployer pension plan is not an agent of a contributing employer or the union when the plan adopts a suspension of benefits policy, the National Labor Relations Board has ruled.

On Nov. 8, 1989, the trustees of the International Union of Allied Craftsmen, Local No. 6, Retirement Fund, Chattanooga, Tenn., adopted a policy suspending benefit payments to retirees who went back to work for an area employer who did not contribute to the multiemployer plan.

Michael McCaslin, a retiree whose benefits were suspended, filed an unfair labor practices charge with the NLRB.

He charged that plan trustees, as officials of contributing employers or the International Union of Bricklayers and Allied Craftsmen, Local No. 6, were agents of the employers or union and were penalizing retirees who went to work for non-signatory employers.

But Administrative Law Judge William M. Cates recommended dismissing the charge, finding the 1974 Employee Retirement Income Security Act requires trustees to be fiduciaries and act solely in the interest of plan participants.

If a retiree went to work for a signatory employer, that helped strengthen the retirement plan, the judge said.

The NLRB unanimously adopted the recommendation. ■

STATISTICALLY SPEAKING

Speaking

Continued from page 18

tations and provided the following summary of various bullet GICs for December 1991:

- Three-year, $1 million, compound: high, 6.45%; low, 4.94%; average, 5.82%.
- Three-year, $1 million, simple: high, 6.41%; low, 4.95%; average, 5.78%.
- Five-year, $1 million, compound: high, 7.42%; low, 6%; average, 6.86%.
- Five-year, $1 million, simple: high, 7.4%; low, 5.91%; average, 6.75%.
- Seven-year, $1 million, compound: high, 8.01%; low, 6.46%; average, 7.39%.
- Seven-year, $1 million, simple: high, 7.75%; low, 6.55%; average, 7.2%.
- Three-year, $5 million, compound: high, 6.47%; low, 4.99%; average, 5.87%.
- Three-year, $5 million, simple: high, 6.44%; low, 4.91%; average, 5.83%.
- Five-year, $5 million, compound: high, 7.51%; low, 6.29%; average, 6.92%.
- Five-year, $5 million, simple: high, 7.44%; low, 5.78%; average, 6.78%.
- Seven-year, $5 million, compound: high, 8.07%; low, 6.52%; average, 7.44%.
- Seven-year, $5 million, simple: high, 7.82%; low, 6.46%; average, 7.25%.

Mercer also surveys banks for rate quotes on their instruments. Rates on one- and three-year bullet BICs for December were:

- One-year, $1 million, compound: high, 4.79%; low, 3.7%; average, 4.24%.
- One-year, $1 million, simple: high, 5.3%; low, 3.7%; average, 4.36%.
- Three-year, $1 million, compound: high, 6.06%; low, 5.17%; average, 5.56%.
- Three-year, $1 million, simple: high, 6.41%; low, 5.14%; average, 5.65%.
- One-year, $5 million, compound: high, 4.84%; low, 3.78%; average, 4.3%.
- One-year, $5 million, simple: high, 5.35%; low, 3.78%; average, 4.43%.
- Three-year, $5 million, compound: high, 6.06%; low, 5.17%; average, 5.62%.
- Three-year, $5 million, simple: high, 6.44%; low, 5.14%; average, 5.72%.

Schmidt Management Co., a GIC market research and consulting firm in Tulsa, Okla., has developed a guaranteed product performance measurement index. The Schmidt GIC composite index approximates the return of a continuous weighted investment in one- to 10-year original maturity GICs. The index shows returns, not rates.

For the fourth quarter of 1991, the Schmidt GIC Composite Index had a total return of 2.1%, compared with 1.1% on 90-day Treasury bills, 8.4% for the Standard & Poor's 500 Stock Index and 5.2% by the Merrill Lynch Government/Corporate Bond Index. For the year, the GIC composite returned 9%. During the same period, 90-day Treasury bills returned 5.5%; the S&P 500, 30.5%; and the Merrill Lynch index, 16%. ■

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want it most.

Health and growth winners in quarter

Chancellor fund rides trends to top spot

By Curtis Vosti

Health and growth stocks dominated the top equity funds in the fourth quarter's Pensions & Investments' Performance Evaluation Report.

The Emerging Health portfolio of Chancellor Capital Management, New York, led the commingled equity account returns for the short term, returning 26.16% in the quarter and a remarkable 115.78% for the year.

The fourth quarter pace was followed by IDS Trust, Minneapolis, with 24.25% for its Emerging Growth portfolio; Wellington Trust Co., Boston, with 23.47% for its Special Situation account; Trust Co. of the West, Los Angeles, with 21.64% for its Small Cap Growth portfolio; and Norwest Bank, Minneapolis, with 20.53% for its Large Company Growth account.

In the PIPER managed account returns, Cheswick Investment Co. Inc., Greenwich, Conn., led the pack with 27.4% for the fourth quarter with a fund heavily invested in biotechnology stocks. Its 94.85% return for the year was PIPER managed account's third best return.

On the fixed-income side, Boatmen's Trust Co., St. Louis, topped both the commingled and managed account returns in the fourth quarter with similar portfolios, based on economic forecasts and containing about 50% long bonds — 20% of which are zero coupons — with an average 25-year maturity and 30% agency mortgages. The returns were based on a forecast of lower inflation rates and lower interest rates.

In the quarter, the strategy returned 8.25% for the $200 million commingled fund and 8.15% for the $3 billion in managed accounts; for the year, the commingled account returned 22.46% and the managed account, 22.49%.

The big news was the more than 100% return for the commingled equity account run by Chancellor Capital Management.

According to Parag Saxena, managing director and portfolio manager, the trick was focusing on the health care industry, as the fund has since 1982.

"Last year what helped was being in health care. Just being there gave you 90 basis points of performance," Mr. Saxena said. "And the subsectors we emphasized gave us another 10 basis points."

Those subsectors included biotechnology stocks, comprising about 30% of the $125 million commingled portfolio, he said. Other categories included health service providers, health maintenance organizations and rehabilitation services.

About 35% of the portfolio is turned over each year, he said.

There were two major reasons for the sustained growth, he said: the graying of America and the explosion in applications of new technology.

"The breakthrough we had in the 1970s with biological services, coupled with the miniaturization of technology allows the industry to diagnose and treat illnesses in a way we couldn't have done 25 years ago," he said.

And although cost containment was a big theme in health care last year, it didn't and shouldn't hurt the fund's performance. "We're investing in the stocks, not in the aggregate cost of health care," he said. "We're making dollars even when cost containment becomes a theme."

The industry is secular rather than cyclical, he said. "It's been good through the whole decade of the 1980s and should be for the 1990s too," he said.

Internationally, Trust Co. of the West's global asset allocation fund led the commingled account returns with 6.74% for the fourth quarter and 26.42% for the year.

BEA Associates Inc., New York, led the PIPER managed accounts field with 5.88% for the quarter on its international equity portfolios; its 33.77% return for the year placed second to the 34.54% return by the International Value Account of Ladas & Hulings Inc., Scottsdale, Ariz.

The median PIPER returns for international equity managed accounts were 1.1% for the quarter and 12.6% for the year; in the commingled accounts, the medians were a respective 1.6% and 12.4%. In comparison, the Morgan Stanley Capital International Europe Australia Far East Index returned 1.8% for the quarter and 12.5% for the year.

The median returns for the PIPER commingled domestic equity accounts were 8.3% for the quarter and 32.1% for the year; for PIPER managed accounts the respective figures were 8.5% and 35.5%. In comparison the Russell 2,000 Index returned 5.7% and 46%, while the Standard & Poor's 500 Stock Index returned 8.4% and 30.5%.

For domestic fixed income, the median return for PIPER commingled accounts was 5.1% for the quarter and 15.7% for the year; the median PIPER managed accounts returned a respective 5.3% and 16.1%. The Shearson Lehman Brothers Government/Corporate Bond Index, for the same periods, returned 5.3% and 16.1%.

PIPER commingled accounts, formerly called PIPER, includes performance for funds that commingled client accounts for investment purposes. PIPER managed accounts, formerly PIPER+, includes only individually managed accounts.

The data for both universes are gathered and compiled by Rogers, Casey & Associates Inc., Darien, Conn. ■

PIPER commingled accounts

Periods ended Dec. 31

Equity

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	26.2	115.8	53.9	29.4	25.5
First quartile	10.6	40.7	21.0	16.5	17.9
Median	8.3	32.1	18.2	14.7	16.6
Third quartile	6.3	26.9	14.8	12.6	15.2
Lowest return	–1.6	5.5	–0.6	2.1	9.1
S&P 500	8.4	30.5	18.5	15.3	17.6
Russell 2000	5.7	46.0	11.0	9.3	12.4

Fixed income

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	8.3	30.3	17.2	11.3	17.3
First quartile	5.6	16.6	13.0	9.9	13.8
Median	5.1	15.7	12.3	9.4	13.0
Third quartile	4.2	13.8	11.4	8.9	12.1
Lowest return	0.0	6.3	5.9	7.3	8.8
SLB G/C	5.3	16.1	12.8	9.6	13.7

JOHN HALL

PIPER managed accounts

Periods ended Dec. 31

Equity

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	27.4	104.7	51.3	38.3	37.4
First quartile	11.5	46.3	23.9	19.1	20.2
Median	8.5	35.5	18.6	15.5	18.2
Third quartile	5.9	29.1	15.0	13.2	16.5
Lowest return	–21.5	–19.5	–0.6	0.9	10.8
S&P 500	8.4	30.5	18.5	15.3	17.6
Russell 2000	5.7	46.0	11.0	9.3	12.4

Fixed income

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	8.2	38.9	17.4	18.5	19.6
First quartile	5.8	17.4	13.5	10.5	14.6
Median	5.3	16.1	12.8	9.9	14.0
Third quartile	4.7	14.4	11.9	9.5	12.8
Lowest return	1.3	6.3	7.9	6.8	9.9
SLB G/C	5.3	16.1	12.8	9.6	13.7

Balanced

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	17.0	63.7	30.9	21.3	20.7
First quartile	8.9	29.3	17.9	14.6	17.3
Median	7.3	25.1	16.0	13.1	16.2
Third quartile	5.8	21.6	14.0	12.0	15.2
Lowest return	2.1	8.9	9.2	6.5	11.9

TAA

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	11.3	50.1	21.3	23.1	19.5
First quartile	9.0	29.6	17.1	16.5	16.9
Median	7.5	27.1	15.6	14.2	18.4
Third quartile	5.5	24.2	13.7	12.4	15.6
Lowest return	3.9	13.5	8.4	9.9	12.0

JOHN HALL

PIPER managed accounts

Periods ended Dec. 31

International equity

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	5.9	34.5	21.9	29.7	25.2
First quartile	2.5	15.9	9.5	12.9	19.4
Median	1.1	12.6	7.0	11.2	18.5
Third quartile	–0.7	9.3	3.5	9.1	17.9
Lowest return	–8.8	1.4	–3.4	2.1	15.2
MSCI EAFE	1.8	12.5	–1.5	9.0	18.5
FTA Europe & Pacific	1.9	12.6	–1.5	9.2	18.4

Global equity

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	13.7	46.6	26.9	17.4	22.2
First quartile	5.5	21.9	12.7	14.0	20.5
Median	2.9	18.6	10.2	11.5	18.7
Third quartile	1.6	13.4	5.3	8.8	17.3
Lowest return	–0.6	6.7	4.4	5.8	11.5
MSCI World	4.3	19.0	5.2	11.0	17.3
FTA World	4.4	19.7	5.3	11.3	15.9

JOHN HALL

Timberland returns top man-made properties

By Steve Hemmerick

Pension funds are getting better returns from raw timberland than from top-grade office, warehouse and regional mall properties, the Pensions & Investments' Performance Evaluation Report shows.

For the third quarter of 1991, Forest Investment Associates' $85 million Real Estate Fund, which invests in timberland, had the highest total return — 3.53% — for closed-end commingled real estate funds.

The return is about 210 basis points above the 1.4% median total return for real estate in closed-end funds for the third quarter and more than 350 basis points above the zero median total return for open-end funds.

Another timberland fund also did well in the third quarter. The $17 million Forestree I fund of the Hancock Timber Resource Group, Boston, returned 3.1%.

But huge real estate funds loaded with office, warehouse and retail properties haven't done as well. The $1.7 billion Real Estate Separate Account of Aetna Life Insurance Co. returned –0.29% for the third quarter; the $3.2 billion Property Investment Separate Account of Prudential Realty Group returned –0.11%; and the $3.6 billion Prime Property Fund of Equitable Real Estate Management Inc. returned –2.6% for the same period.

Office properties and strip and community shopping centers are in oversupply, and regional shopping centers have been hurt by department store bankruptcies and the recession. The recession also has hurt warehouse properties.

But one key reason for the high return from timberland, say investors, is a declining supply and a steady demand. "A lot of the government timberland is being taken off the market out West," said L. Richard Doelling, director of marketing for Forest Investment Associates, Atlanta.

While loggers are finding off-limits signs in the West, they also are finding fewer trees in the Southeast. In that area of the country, where Forest Investment Associates has 97% of its timberland, supply is declining. Unlike the West, where much of the timberland is on government land, the Southeast has mostly private timber farms.

"Private ownership, except for forest product companies, has not done a good job of reforesting," said Scott Jones, manager of portfolio strategy for Hancock Timber Resource Group.

Adding to the problem, said Mr. Doelling, is urbanization in the Southeast that is reducing the number of trees. Also, the much-touted paperless office, which was supposed to be spurred by the computer revolution, never came about. U.S. business is actually "cranking out" more paper through use of computer printers, copy machines and facsimile telecopiers, said Mr. Doelling.

Another high performer in the third quarter was First National Bank of Chicago's First Apart-

See **Timber** *on page 24*

Top decile PIPER commingled fixed-income funds

3-month returns

	%
Boatmen's Trust (Var. mat.)	8.3
Prudential (Long term)	6.9
U.S. Trust Co. N.Y.	6.9
Pacific Financial	6.7
NCNB (Long term)	6.6
UBS Asset (CMB long term)	6.6
United Capital	6.4
Aetna Life	6.4
Equitable Capital (Strategic)	6.3
Manufacturers Detroit	6.3
Manufacturers Affiliated	6.3
Puget Sound Nat'l	6.2
The New England (S.A.)	6.2
Life of Virginia Aon	6.2
Riggs Nat'l Bank	6.2
Citizens Fidelity (Active)	6.2
Lee, Robinson & Steine	6.1
Lincoln Nat'l (Corp.)	6.1
CL Capital	6.0
Society Nat'l Bank	6.0
Boatmen's First Nat'l Bank	6.0
Prudential (PRIVEST)	6.0
First Fidelity	6.0
Fleet Bank	6.0
Transamerica Invst	5.9
Hawaiian Trust (Aggress.)	5.9
First Nat'l Bank/Maryland	5.9
SLB G/C	**5.3**

1-year returns

	%
Wellington Trust (Emerg.)	30.3
Connecticut Mutual	25.6
Boatmen's Trust (Var. mat.)	22.9
Life of Virginia Aon	20.7
Penn Mutual (S.A. C)	19.9
Aetna Life	19.8
The Phoenix (Mgd.)	19.6
Pacific Financial	19.4
Puget Sound Nat'l	19.2
NCNB (Long term)	19.1
Northern Trust	19.0
UBS Asset (CMB long term)	18.7
Prudential (Long term)	18.7
Imperial Trust	18.7
Beverly Trust	18.7
First Nat'l Bank/Amarillo	18.6
The New England (S.A.)	18.5
Provident Capital	18.4
Prudential (PRIVEST)	18.4
Massachusetts Mutual (Interm.)	18.2
Capital Trust	18.1
U.S. Trust Co. of N.Y.	18.1
U.S. Nat'l Oregon/Qualivest	18.1
United Capital	18.0
Southwest Nat'l Bank of Pa. (F)	17.9
SLB G/C	**16.1**

5-year returns

	%
Aetna Life	11.3
Pacific Financial	11.3
Transamerica Invst.	11.2
Equitable Capital (Strategic)	11.0
First Nat'l Bank/Maryland	11.0
Beverly Trust	11.0
J.P. Morgan Invst.	10.9
First Nat'l Bank/Amarillo	10.8
Prudential (PRIVEST)	10.8
Harris Trust	10.8
Boatmen's Trust (Var. mat.)	10.7
The Principal	10.7
Bankers Trust (Gov't guar. mtg.)	10.6
U.S. Trust Co. N.Y.	10.6
NCNB (Mtg.)	10.5
Marinvest (Total return)	10.5
Meridian	10.5
IAA Trust	10.5
First Alabama Bank	10.5
Wachovia Invst.	10.3
Summit Trust	10.3
First Wisconsin (Struc.)	10.2
United Capital	10.2
NBD Bank	10.2
The New England (S.A.)	10.2
SLB G/C	**9.6**

10-year returns

	%
Transamerica Invst.	17.3
Boatmen's Trust (Var. mat.)	16.5
United Capital	16.5
Meridian	15.9
Life of Virginia Aon	15.6
IAA Trust	15.5
Pacific Financial	15.2
Equitable Capital (Strategic)	15.1
First Nat'l Bank/Amarillo	15.1
Beverly Trust	15.0
First Kentucky Trust	15.0
ASB Capital (Total return)	14.9
Society Nat'l Bank	14.9
John Hancock Mutual (1D)	14.8
Prudential (PRIVEST)	14.8
Aetna Life	14.7
Colorado Nat'l Bank	14.7
SLB G/C	**13.7**

Top decile PIPER commingled equity funds

3-month returns

	%
Chancellor Capital (Health)	26.2
IDS Trust (Em. gro. E)	24.3
Wellington Trust (Sp. sit.)	23.5
Trust Co./West (Sm. cap. gro.)	21.6
Norwest Bank (Lg. co. gro.)	20.5
Princeton Bank (Sm. cap. gro.)	20.4
Metropolitan Life (Cap. apprec.)	20.4
Bankers Trust (Sm. cap.)	18.9
American Nat'l (Growth)	17.9
Bankers Trust (Cap. apprec.)	17.7
Fleet Bank (Supp.)	17.6
The New England (Cap. gro.)	16.8
Equitable Capital (Sp. gro.)	16.6
First of America (Sm. cap. val. E)	16.6
Lincoln Nat'l (Select)	16.2
IDS Trust (Core gro.)	16.2
Shearson Lehman (Flex. gro. E)	16.0
Chancellor Captial (Sel. gro.)	15.7

Timber

Continued from page 23

ment fund, which had a total return of 2.1%. Managed by JMB Institutional Realty Advisors, Chicago, the $52 million fund invests in garden apartments.

Tied for fourth place were the Closed End II fund of Metropolitan Life Insurance Co., New York, which has a net asset value of about $64 million, and the $23 million VCA-5 fund of The Mutual Benefit Life Insurance Co., Newark, N.J. Both insurance company funds had a total return of 2.1% for the quarter.

Two funds of Star Bank, Cincinnati — the $12 million Personal Trust and $5.4 million Employee Benefit Trust funds — scored first and second for open-end funds in the third quarter, returning 4.56% and 4.44% respectively. Both funds invest in real estate investment trusts and real estate company securities, and both benefited from the rebound in the REIT market in 1991, said James Espey, fund manager/equity analyst in the capital management division of Star Bank.

Prudential Realty Group, Newark, N.J., manages the No. 3 performer, the $150 million Union Mortgage Account. It invests in straight mortgages in office, retail and industrial properties built or renovated by union labor. The fund, which returned 3.2% for the quarter, benefited from the increased value of the mortgages as a result of declining interest rates.

Another mortgage fund that invests in union-built and union-renovated properties, the ‡148 million MSA-J fund of Union Labor Life Insurance Co., Washington, came in fourth at 2.9%.

Another timberland fund ranked fifth for open-end funds, the $875 million Separate Account fund of Hancock Timber, which returned 1.4% for the third quarter. The PIPER Commingled Funds Report, formerly known as PIPER, covers 20 open-end real estate funds and 58 closed-end funds. The data are compiled by Rogers, Casey & Associates Inc., Darien, Conn. ■

HARRIS CONVERSATIONS FOR THE 90s:

SIMPLE TRUTHS ABOUT INTERNATIONAL COMPETITION

A DISCUSSION WITH A SELECT GROUP OF BUSINESS EXECUTIVES

A group of forward-looking senior executives met recently at the Harris Bank to discuss the challenges and complexities of international competition.

Two simple truths emerged:

1. Many issues affecting global competition are beyond our control.

2. U.S. business leaders must focus on the competitive factors they can immediately influence.

Excerpts from their conversation follow:

"It's clear that meeting the international challenge is not necessarily well understood in Washington."

First Executive: While the Japanese and the Europeans have differing degrees of economic sanctuary, we have to overcome domestic hurdles to international competition.

For example, in 1986 Congress created Section 864(e) in the Tax Code. The interest expense allocation formula in this section basically assumes that a U.S. company with overseas assets that borrows money in the United States does so to fund offshore operations in order to get a bigger interest deduction and lower tax bill here.

The formula's net effects are, first, to increase a company's U.S. tax bill by decreasing the amount of deductible interest expense, which can add up to several million dollars; and second, to drive U.S. companies away from the international marketplace by making offshore investments less attractive.

No European country does this to its companies. And the Japanese certainly don't.

"Another issue is that the cost of capital is substantially lower in other countries than it is here."

Second Executive: Japanese public companies can get much different multiples on earnings, so they can raise public money incrementally at a much lower effective cost in terms of earnings averages.

Also, Japanese banks make capital available much more readily and cheaply since frequently they're major equity holders in Japanese companies. There's more to gain when they can participate in a company's growth, so they're much more willing to provide capital.

"Lower capital costs mean the Japanese can take a completely different view on returns."

Third Executive: We're in a 50/50 joint venture with a Japanese company. Our Japanese partner's cost of capital is one-quarter of ours. Given the time value of money, we must make a higher return up front. There's no way to catch up if a project goes beyond six or seven years with an 18 percent rate.

"You can't only look at your return on capital, especially if you're going into a foreign market."

Fourth Executive: Your payback could be in two years or 20, and 20 years scares us to death. Instead, you look at the reasons for the investment. What are the opportunities? What are the threats if we don't do it?

"U.S. companies are doing themselves a terrible disservice with their myopic short-term focus."

Fifth Executive: The demand for return is much more severe in this country than in others, and that comes out of our tendency to focus on short-term horizons. So in U.S. companies, people start walking away from capital expenditures if the payback is longer than a year. Japanese companies look at a capital investment and see markets penetrated, share captured and dominance achieved, not just a short-term return.

"Why do we put these payback demands on ourselves?"

Sixth Executive: I think it has to do with the United States being a country for the individual, with the ideal that if you work hard enough, claw your way to the top, you'll find the streets paved of gold.

In Japan, it's very different. You work together for the common good of your company, your country or whatever.

Our focus on the individual has a great deal of influence on maintaining self-serving short-term horizons.

"We've created these short-term pressures and accepted a short-term view. So it's a tough, tough cycle to stop."

Seventh Executive: We do quarterly reports that show how good we are as managers of the company. Then there's stock price. We raise money, make acquisitions, and pay managers with stock, so we say we must have that return to keep stock prices climbing.

We're never going to be able to compete with the Japanese cost of capital. It's a totally different system and always will be. But we can, and need to, really slow down and look at things from a longer-term perspective. Corporate America would be better off if we could inject some patience.

"Simple Truths" is the sixth in a series of Harris Conversations for the 90s.

Other topical roundtables that can help Harris customers be more competitive will follow.

To receive a copy of the complete discussion, which includes strategies to engineer an advantage for American business through better management, call Harris Bank at (312) 461-5554.

HARRIS BANK.

Solid thinking for changing times.

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Pacific Financial (Cap. apprec.)	15.7
ASB Capital (Special)	15.6
First American Bank Georgia	15.5
Metropolitan Life (S.A. 40)	15.2
American Nat'l	15.2
Lincoln Nat'l (Sp. opp.)	15.1
Deposit Guaranty (Sp. opp.)	15.1
Meridian (Quest)	14.8
First Wisconsin (Core gro.)	14.8
Wilmington Trust (Growth)	14.7
First Wisconsin (Em. gro. E)	14.6
PW Trust (Em. gro. E)	14.5
NCNB (Growth)	14.5
First Wisconsin (Sm. cap. gro.)	14.3
New York Life (Growth)	14.0
Chancellor Capital (Growth)	13.8
CoreStates Invst. (Growth)	13.6
S&P 500	**8.4**
Russell 2000	**5.7**

1-year returns

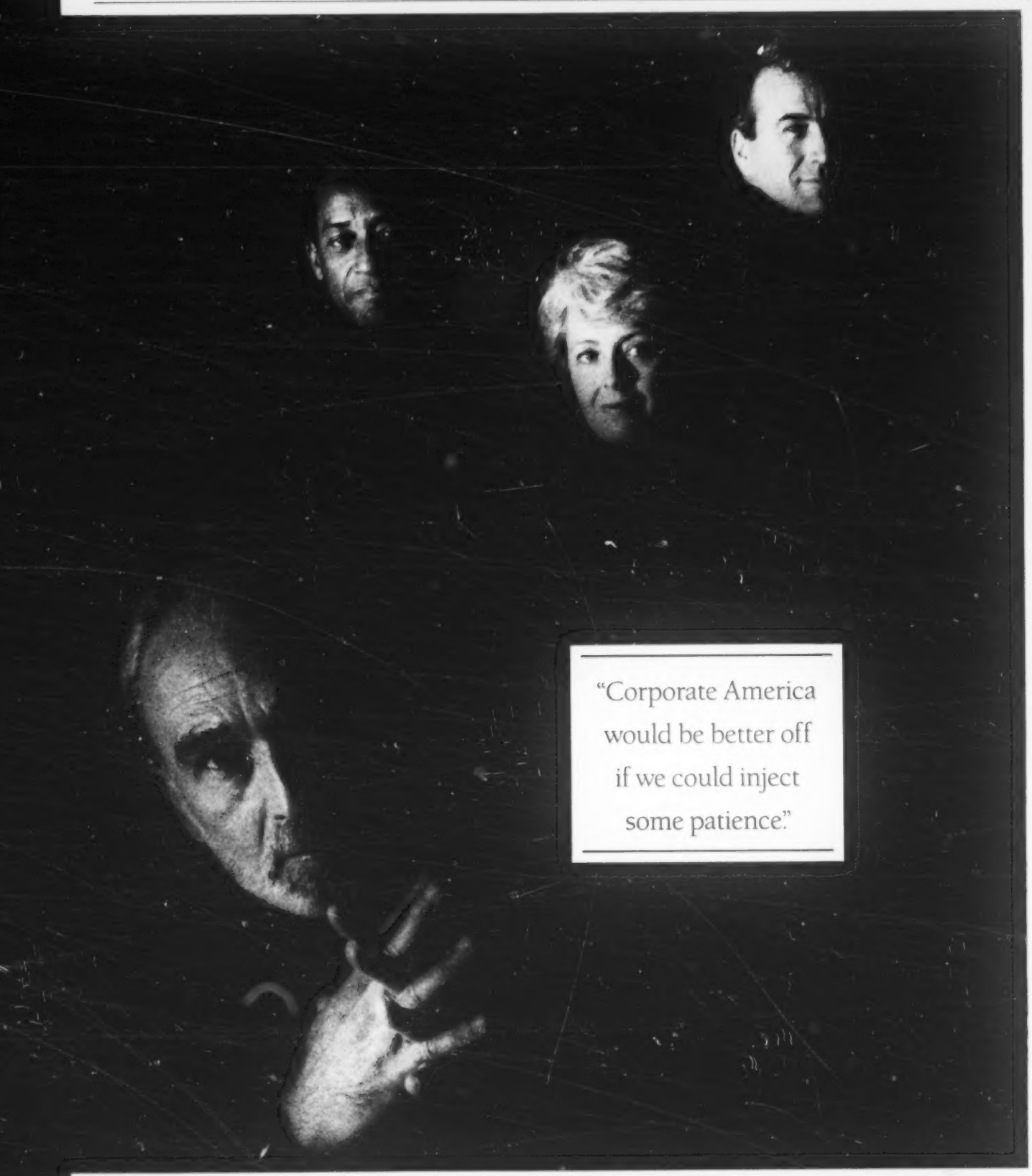
	%
Chancellor Capital (Health)	115.8
Bankers Trust (Sm. cap.)	92.0
Princeton Bank (Sm. cap. gro.)	91.9
Wellington Trust (Sp. sit.)	90.6
Equitable Capital (Sp. gro.)	88.1
Trust Co./West (Sm. cap. gro.)	85.2
Meridian (Quest)	80.4
First Wisconsin (Em. gro. E)	75.2
Norwest Bank (Sm. co. gro.)	74.6
Bankers Trust (Cap. apprec.)	72.9
IDS Trust (Em. gro. E)	72.1
Metropolitan Life (Cap. apprec.)	70.4
New York Life (Growth)	69.6
Norwest Bank (Lg. co. gro.)	68.7
ASB Capital (Sp.)	68.1
Manufacturers Detroit (Sm. cap.)	64.5
Shearson Lehman (Sm. cap.)	62.7
Bessemer Trust (Sm. cap.)	60.7
Provident Mutual (Agg.)	60.7
Deposit Guaranty (Sp. opp.)	60.0
Shearson Lehman (Flex. gro. E)	59.7
Barnett Banks (Em. gro. E)	59.6
Fleet Bank (Supp.)	59.2
Lincoln Nat'l (Sp. opp.)	58.9
Chancellor Capital (Sel. gro.)	58.3
General American (Sm. cap.)	58.3
Texas Commerce (Sm. cap.)	58.1
PW Trust (Em. gro. E)	57.8
Provident Capital (Sp.)	57.4
The New England (Cap. gro.)	56.6
Second Nat'l Bank (Growth)	56.0
Chancellor Capital (Growth)	55.7
U.S. Nat'l Oregon/Qualivest	55.4
Wilmington Trust (Growth)	53.9
First Wisconsin (Core gro.)	53.3
Russell 2000	**46.0**
S&P 500	**30.5**

5-year returns

	%
Chancellor Capital (Health)	29.4
Equitable Capital (Sp. gro.)	25.0
Chancellor Capital (Sel. gro.)	25.0
Shearson Lehman (Flex. gro. E)	24.4
Wellington Trust (Sp. sit.)	23.5
Norwest Bank (Sm. co. gro.)	23.2
Lincoln Nat'l (Sel.)	22.7
IDS Trust (Core gro.)	22.6
Chancellor Capital (Growth)	22.2
Trust Co./West (Sm. cap. gro.)	22.0
Shearson Lehman (Sm. cap.)	21.4
Lincoln Nat'l (Sp. opp.)	21.1
The Phoenix (Growth)	20.9
IDS Trust (Em. gro. E)	20.9
State Street (Matrix syn.)	20.8
Deposit Guaranty (Sp. opp.)	20.2
Sun Bank Capital	20.1
Pacific Financial (Cap. apprec.)	20.0
Connecticut Nat'l (Sp.)	20.0
First Wisconsin (Sm. cap. gro.)	19.9
Equitable Capital (S.A. 4)	19.8
Trusco Capital (Sun Belt)	19.6
The New England (Cap. gro.)	19.5
First Wisconsin (Core gro.)	19.4
Norwest Bank (Lg. co. gro.)	19.4
Markston Invst. (V.A.)	19.3
Mark Twain Trust	19.2
Meridian	19.2
Bankers Trust (Cap. apprec.)	19.0
S&P 500	**15.3**
Russell 2000	**9.3**

10-year returns

	%
Sun Bank Capital	25.5
Pacific Financial (Cap. apprec.)	23.5
Norwest Bank (Sm. co. gro.)	22.0
The New England (Cap. gro.)	21.4
Manufacturers Detroit	20.7
Connecticut Nat'l (Sp.)	20.7
Chancellor Capital (Growth)	20.6
First Nat'l Bank/Amarillo	20.2
U.S. Nat'l/Galveston	19.8
First Wisconsin (Sm. cap. gro.)	19.8
Bankers Trust (Cap. apprec.)	19.4
First NH Invst. (Value)	19.4
Manufacturers Affiliated (Growth)	19.4
Merus Capital (Income)	19.3
Nationwide Life	19.2
NCNB (Income)	19.2
Manulife Financial	19.2
Chancellor Capital (Indexplus)	19.2
Equitable Capital (Sp. gro.)	19.2
Provident Mutual (Value S.A. 1)	19.2
Meridian	19.1
S&P 500	**17.6**
Russell 2000	**12.4**



Top half PIPER commingled international equity funds

3-month returns

	%
Trust Co. West (Global)	6.7
IAA Trust	6.0
IDS Trust	5.8
Fist NH-Bank of Ireland	5.5
FTA World	**4.4**
MSCI World	**4.3**
Wilmington Trust	4.2
Putnam Cos.	4.0
Connecticut Mutual (Overseas)	3.1
CL Capital Mgmt.	2.7
J.P. Morgan Invst.	2.5
Provident Capital (Low p/e)	2.4
The Principal	2.1
Citibank Invst.	2.1
FTA Europe & Pacific	**1.9**
Lincoln Nat'l (S.A.)	1.8
MSCI EAFE	**1.8**
Wellington Trust (Pacific Basin)	1.7
Wells Fargo Nikko (EAFE)	1.6

1-year returns

	%
Trust Co. West (Global)	26.4
CL Capital Mgmt.	24.0
Wellington Trust (Pacific Basin)	20.3
FTA World	**19.7**
MSCI World	**19.0**
Connecticut Mutual (Overseas)	18.4
The Principal	17.7
J.P. Morgan	17.7
Putnam Cos.	17.2
Wilmington Trust	16.0
Citibank Invst.	15.4
Provident Capital (Low p/e)	14.8
Harris Trust	14.0
IAA Trust	13.8
First NH-Bank of Ireland	13.2
Wells Fargo Nikko (EAFE)	12.6
FTA Europe & Pacific	**12.6**
Bankers Trust	12.5
MSCI EAFE	**12.5**

5-year returns

	%
CL Capital Mgmt.	16.4
CIGNA Int'l Invst.	14.4
Provident Capital (Low p/e)	14.3
Putnam Cos.	11.4
FTA World	**11.3**
U.S. Trust Co. N.Y.	11.0
MSCI World	**11.0**
Bankers Trust	10.5
Wellington Trust (Pacific Basin)	10.2
Lincoln Nat'l (S.A.)	9.4
Wells Fargo Nikko (EAFE)	9.3
FTA Europe & Pacific	**9.2**
MSCI EAFE	**9.0**
State Street Asset	8.8

10-year returns

	%
Putnam Cos.	19.1
MSCI EAFE	**18.5**
FTA Europe & Pacific	**18.4**
State Street Asset	18.3
Bankers Trust	18.3
Wells Fargo Nikko (EAFE)	17.8
MSCI World	**17.3**
FTA World	**15.9**

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*Periods ending 12/31/91

Top decile PIPER managed fixed-income accounts

3-month returns

	%
Boatmen's Trust (Variable)	8.2
McCowan Associates	8.1
Anhalt/O'Connell (Ext. mat.)	8.0
Investment Advisors	7.7
Trust Co./West (Mtg.-backed)	7.4
Dewey Square (Active)	7.2
Dewey Square (Mtg.)	7.1
Criterion Invst. (Long)	7.1
Hoisington Invst.	7.0
Discount Corp. of N. Y.	7.0
Smith Affiliated	6.9
Blackstone Financial (Mtg./treas.)	6.8
Redstone Advisors (Act. dur.)	6.8
Waddell & Reed Asset (Total ret.)	6.8
Safeco Asset (Act. dur.)	6.7
Investment Advisers (Act. dur.)	6.7
1838 Invst. (Act.)	6.7
Leshner Financial (Treas.)	6.7
Jamison, Eaton Wood (Act. dur.)	6.6
Durkee Capital (Reactive)	6.5
Independence One (PRIMA X)	6.5
STW Fixed Income (Long)	6.4
SLB G/C	**5.3**

1-year returns

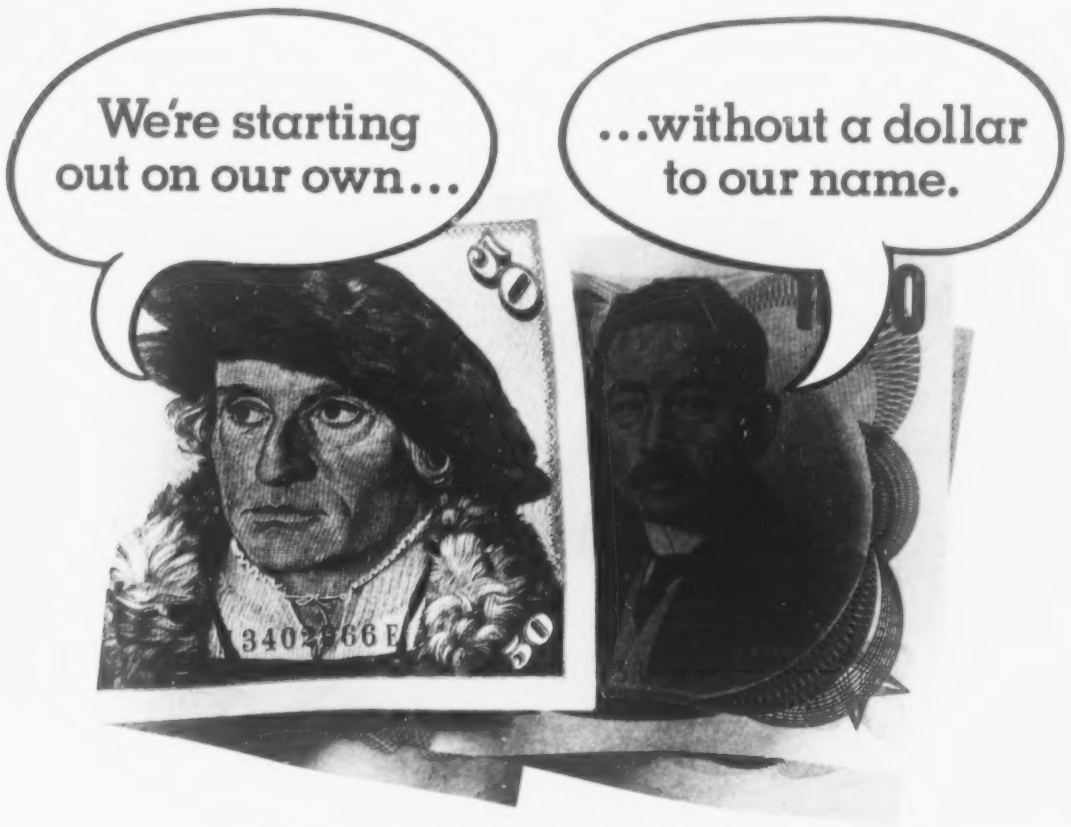
	%
Bell Capital (Mgd.)	38.9
Loomis, Sayles	27.6
Scheetz, Smith	26.6
Boatmen's Trust (Variable)	22.5
Trust Co./West (Mtg.-backed)	21.7
Kemper Asset (Plus)	21.1
STW Fixed Income (Long)	20.9
McCowan Associates	20.3
Denver Invst. (Long-term)	20.2
Dewey Square (Mtg.)	20.1
Loomis, Sayles/Pasadena	20.1
Blackstone Financial (Mtg./treas.)	20.0
Loomis, Sayles (Invst. grade)	19.8
Durkee Capital (Reactive)	19.8
Criterion Invst. (Long)	19.7
Bradford & Marzec (Long dur.)	19.5
Bea Associates (Act.)	19.5
Waddell & Reed Asset (Total ret.)	19.3
Investment Advisors	19.3
Standish, Ayer & Wood (Act.)	18.9
Redstone Advisors (Act. dur.)	18.8
Smith Affiliated	18.8
Bradford & Marzec	18.7
Scudder Stevens Clark (Act. val.)	18.5
SLB G/C	**16.1**

5-year returns

	%
Lara Luchsinger & Dietze (Treas.)	18.5
Bell Capital (Mgd.)	14.3
Fox Asset (Interm.)	13.6
Trust Co./West (Mtg.-backed)	13.1
GW Capital (Sec. rotation B)	12.4
Hoisington Invst.	12.4
Criterion Invst. (Long)	12.0
Morgan Grenfell Capital	11.9
Durkee Capital (Reactive)	11.9
McKee Invst.	11.9
First Pacific (Interm.)	11.7
Jamison, Eaton Wood (Act. dur.)	11.6
U.S. Trust of California	11.5
Criterion Invst. (Mtg.)	11.3
Bridgewater Asset (Act. dur.)	11.3
Capstone Asset	11.2
Philadelphia Invst.	11.2
McCowan Associates	11.2
Analytic Invst. (Plus)	11.1
Tom Johnson Invst.	11.1
Pacific Invst. (Total return)	11.1
Equitable Capital (No. 5)	11.0
SLB G/C	**9.6**

10-year returns

	%
Bridgewater Asset (Act. dur.)	19.6
STW Fixed Income (Long)	17.5
Morgan Grenfell Capital	16.5
Patterson Capital (Interm.)	16.1
Smith Affiliated	16.0
Boatmen's Trust (Variable)	15.9
Meridian Invst.	15.9
Denver Invst. (Long term)	15.9
Standish, Ayer & Wood (Act.)	15.9
Loomis, Sayles	15.7
Putnam Cos.	15.5
Pacific Invst. (Total return)	15.5
Kemper Asset (Plus)	15.5
Ferguson & Wellman (Rate antic.)	15.5
Jamison, Eaton Wood (Act. dur.)	15.3
SLB G/C	**13.7**



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Top half PIPER managed international fixed-income accounts

3-month returns

	%
Rogge Global Partners	12.0
Brinson Partners	11.5
Julius Baer Invst.	11.5
Scudder Stevens & Clark	10.9
Citibank Invst.	10.8
Salomon World Gov't Bond	**10.5**
Wells Fargo Nikko (Gov't)	10.4
Rowe Price-Fleming	9.7
Baring Int'l	9.4

1-year returns

	%
Baring Int'l.	25.1
Scudder Stevens & Clark	22.4
Rogge Global Partners	22.0
WorldInvest (IPBF)	21.1

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Brinson Partners	20.9
Julius Baer Invst.	19.9
Fiduciary Trust Co. Int'l	19.2
Rowe Price-Fleming	19.2
Salomon World Gov't Bond	**16.3**

5-year returns

	%
Putnam Cos.	19.3
Baring Int'l	16.8
Fiduciary Trust Co. Int'l	16.0
Brinson Partners	15.7
WorldInvest (IPBF)	15.1
Salomon World Gov't Bond	**12.4**

10-year returns

	%
Fiduciary Trust Co. Int'l	16.6
WorldInvest (IPBF)	16.3
Salomon World Gov't Bond	**na**

Money manager profiles will appear in the May 18 issue.

Top half PIPER managed global fixed-income accounts

3-month returns

	%
Massachusetts Financial	10.2
Massachusetts Financial	10.1
Rogge Global Partners	9.7
Smith Barney Capital	9.7
Van Eck Associates	8.7
Brinson Partners	8.6
Julius Baer Invst.	8.4
Putnam Cos.	8.3
Alliance Capital	8.3
Salomon World Bond	**8.2**
G.T. Capital	7.9
Fiduciary Trust Co. Int'l	7.0

1-year returns

	-%
Rogge Global Partners	20.9
Van Eck Associates	20.4
Brinson Partners	20.1
Smith Barney Capital	20.1
WorldInvest	19.8
Baring Int'l (1)	19.2
Julius Baer Invst.	18.9
Fiduciary Trust Co. Int'l	18.1
Salomon World Bond	**18.0**
G.T. Capital	17.7
RCB Int'l	17.0
Putnam Cos.	16.7

5-year returns

	%
Putnam Cos.	20.0
Massachusetts Financial	14.8
WorldInvest	14.5
Baring Int'l (1)	14.2
Smith Barney Capital	13.4
Fiduciary Trust Co. Int'l	12.9
Salomon World Bond	**11.1**

10-year returns

	%
WorldInvest	19.2
Massachusetts Financial	17.1
Brinson Partners	16.3
Salomon World Bond	**14.3**

Top decile PIPER managed equity accounts

3-month returns

	%
Cheswick Invst.	27.4
Oak Associates (Growth)	24.8
IDS Advisory (Spec. emerg.)	23.5
Essex Invst. (Growth)	23.0
Investors Res. (20th Cent. gro.)	22.5
Chancellor Capital (Sm. cap. gro.)	22.3
Essex Invst. (Emerg. gro.)	21.8
Trust Co. West (Sm. cap. gro.)	21.6
Jundt Associates (Emerg. gro.)	21.6
Scudder Stevens Clark (Sm. co.)	21.0
Hutchinson Richardson (Act.)	20.9
Peregrine Capital (Growth)	20.7
Cohen, Davis & Marks	20.4
Duncan Hurst (Sm. cap. gro.)	20.3
JMC Capital (Growth)	20.2
UBS Asset (Sm. cap. gro. E)	19.7
Ardsley Partners (II)	19.6
Morgan Stanley (Em. gro.)	19.3
George D. Bjurman	19.0
Ardsley Partners (I)	18.6
Montag & Caldwell (Low risk gro.)	17.6
S. Squared Tech. (Small)	17.5
Provident Invst. (Growth)	17.5
Northern Invst. (Quality gro.)	17.4
Roxbury Capital (Growth)	17.3
Capital Growth	17.3
Hutson Mgmt. (Growth)	17.3
Investors Res. (20th Cent.)	17.3
Pennsylvania Invst. (Dyn. value)	17.2
Fred Alger Mgmt. (Sm. cap.)	17.0
Heartland Capital (Growth)	17.0
Wilke Thompson (Growth)	16.8
Lehman Ark Mgmt. (Sp. gro.)	16.8
Ashland Mgmt.	16.6
J.M. Hartwell	16.6
Equitable Capital (Sp. gro. UP3)	16.6
First of America (Sm. cap.)	16.6
Pilgrim, Baxter, Greig (Sm. cap.)	16.5
GeoCapital (Sm. cap.)	16.2
Chase Invst. (Quality gro.)	16.1
George D. Bjurman (Con. gro.)	16.1
Dawson Samberg (A.C gro.)	16.0
Lynch & Mayer (Lg. gro.)	15.8

4 1K

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Stein Roe Capital (H.Q. gro.)	15.8
Pilgrim, Baxter, Greig (Growth)	15.8
Baring America (EVS)	15.8
Janus Capital (Earn. gro.)	15.6
S&P 500	**8.4**
Russell 2000	**5.7**

1-year returns

	%
Montgomery (Sm. cap. gro.)	104.7
Chancellor Capital (Sm. cap. gro.)	98.8
Cheswick Invst.	94.9
Duncan-Hurst (Sm. cap. gro.)	91.3
Equitable Capital (Sp. gro. UP3)	88.1
Trust Co. West (Sm. cap. gro.)	85.2
UBS Asset (Sm. cap. gro. E)	81.4
Ardsley Partners (II)	79.3
Jundt Associates (Emerg. gro.)	79.2
Target Investors (Emerg. gro.)	77.0
Scudder Stevens Clark (Sm. co.)	76.9
Morgan Stanley (Emerg. gro.)	76.5
Capital Growth	76.3
Ardsley Partners (I)	75.7
Oak Associates (Gro.)	75.4
Peregrine Capital (Sm. cap.)	73.9
IDS Advisory (Spec. emerg.)	73.4
Investment Advisers (Sm. cap.)	72.2
Essex Invst. (Growth)	71.8
Granahan Invst. (Explorer II)	71.6
MacKay-Shields (Growth)	71.2
Investors Res. (20th Cent. gro.)	70.7
Essex Invst. (Emerg. gro.)	70.6
John McStay Invst. (Sm. cap.)	70.0
GeoCapital (Sm. cap.)	69.7
Investment Concepts (Sp.)	69.2
Peregrine Capital (Growth)	69.0
Nicholas-Applegate (Emerg. gro.)	68.8
Denver Invst. (Med.-size co.)	68.5
Cohen, Davis & Marks	68.0
Wilke/Thompson (Sm. cap. gro.)	67.6
S. Squared Tech. (Small)	67.6
Janus Capital (Earn. gro.)	67.4
Provident Invst. (Growth)	66.9
Hutchinson Richardson (Act.)	66.4
Standish, Ayer & Wood (Sm. cap.)	66.0
Jundt Associates (Core gro.)	65.0
Strong/Corneliuson (Sm. med.)	64.1
First Pacific Advisors (Sm. value)	63.6
Robertson, Stephens (Sm. gro.)	62.8
Wilke/Thompson (Growth)	62.5
Friess Associates	62.3
General American (Closed end)	61.9
Qualivest Capital	61.7
Cadence Capital (Mid. cap.)	60.4
Dawson Samberg (Gro. Pequot)	59.4
Fred Alger Mgmt. (Growth)	58.9
Russell 2000	**46.0**
S&P 500	**30.5**

5-year returns

	%
Chilmark Capital	38.3
Mt. Auburn Mgmt.	35.8
Tiger Mgmt. (Tiger Fund)	32.2
Montgomery (Sm. cap. gro.)	31.6
Dietche and Field (Opp.)	31.5
Ashland Mgmt.	31.4
Cheswick Invst.	30.6
Jundt Associates (Emerg. gro.)	30.2
Duncan-Hurst (Sm. cap. gro.)	30.0
Chancellor Capital (Sm. cap. gro.)	29.7
Provident Invst. (Stellar)	29.5
Robertson, Stephens (Sm. gro.)	28.9
Cohen, Davis & Marks	28.4
John McStay Invst. (Sm. cap.)	28.4
Feshbach Brothers (Southgate)	28.1
Nicholas-Applegate (Hedge)	27.5
Fred Alger Mgmt. (Sm. cap.)	26.7
Oak Associates (Growth)	26.6
Oxford Capital	26.1
Janus Capital (Earn. gro.)	25.2
Moran Asset (Flex.)	24.8
Fiduciary Mgmt. of Milwaukee	24.8
Goodwin Capital (Yield)	24.6
Equitable Capital (Sp. gro. UP3)	24.3
Investment Advisers (Sm. cap.)	24.0
Provident Invst. (Growth)	23.9
Peregrine Capital (Sm. cap.)	23.5
Jundt Associates (Core gro.)	23.5
Turner Invst. (Process)	23.5
Essex Invst. (Emerg. gro.)	23.5
Cunningham, Henderson	23.4
Capital Growth	23.2
Investors Res. (20th Cent. gro.)	23.2
Lehman Ark Mgmt. (Sp. gro.)	23.2
Morgan Stanley Asset (Em. gro.)	23.2
Quantitative Asset (En. index)	23.1
Hutson Mgmt. (Growth)	22.6
First Pacific (Dallas)	22.5
General American (Closed end)	22.5
Friess Associates	22.4
GeoCapital (Sm. cap.)	22.4
S&P 500	**15.3**
Russell 2000	**9.3**

10-year returns

	%
Tiger Mgmt. (Tiger Fund)	37.4
Ashland Mgmt.	28.5
Capital Growth	25.7
Chancellor Capital (Sm. cap. gro.)	25.5
Quantitative Asset (En. index)	25.3
Severn Associates	25.1
Oak Associates (Growth)	24.3
Janus Capital (Earn. gro.)	23.7
Investment Advisers (Sm. cap.)	23.6
Cadence Capital (Lg. cap.)	23.5
Lehman Ark Mgmt. (Sp. gro.)	23.5
Caldwell & Orkin (Multifactor)	23.4
First Pacific (Dallas)	23.2
Roger Engemann (Growth)	23.0
Roxbury Capital (Growth)	22.9
Cheswick Invst.	22.9
Strong/Corneliuson (Sm. med.)	22.8
Columbus Circle Investors	22.7
Balch Hardy Scheinman (Wealth)	22.7
Neuberger and Berman	22.4
Goodwin Capital (Standard)	22.3
Richard C. Blum (Pro-active)	22.3
Peregrine Capital (Sm. cap.)	22.2
Leylegian Invst.	22.2
Harris Bretall Sullivan & Smith	22.0
Sirach Capital (Growth)	22.0
Fox Asset (Value)	22.0
S&P 500	**17.6**
Russell 2000	**12.4**

Top half PIPER managed international equity accounts

3-month returns

	%
BEA Associates	5.9
GIM Global Advisors	5.8
Waddell & Reed (Growth)	5.0
Wright Investor's Service	5.0
Gulfstream Global	4.1
Putnam Cos.	3.9
Edinburgh Wilmington Int'l	3.7
Ladas & Hulings (Value)	3.4
Brinson Partners	3.2

ADVISORS TO ERISA PLANS MUST BE BONDED

It's The Law!

Call **Liftman Insurance** for a copy of the law and coverage information.

Total Plan Assets		Annual Bond Premiums
$ 500,000	=	$ 54.00
$ 1,000,000	=	$ 74.00
$ 3,000,000	=	$ 180.00
$ 5,000,000 plus	=	$ 230.00

ERISA Law requires bond limits of 10% of plan assets to a $500,000 maximum per pension/profit sharing plan.

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Some Plain Talk About Defined Contribution Plans

CANDOR

Candor is the cornerstone of effective communications. The straightforward, clear and honest exchange of information builds trust and confidence. Your 401(k) plan participation level will increase and plan diversification will broaden as employees gain greater understanding of their investment options. That, in turn, will help to assure them of a more comfortable retirement in future years.

PLAIN TALK Plan participants appreciate the convenience of direct, toll-free access to friendly, knowledgeable people to whom they can talk when the need arises. Participants want straight answers to their questions about risk and return which they can understand and trust. Technology should augment the effectiveness of telephone representatives–not replace them.

PLAIN SPEAKING There is no better way to promote understanding than direct, face-to-face meetings where specially trained professionals can explain in detail the risks that accompany the potential rewards of investment decisions. Meetings should help participants make long-term investment decisions, while explaining the benefits of participation.

PLAIN ENGLISH Hardest to achieve–but none-the-less necessary–is the provision of written materials containing essential information on plan features and investment risk, return, and cost–presented quietly, candidly and without hyperbole. Equally important is the need to design statements and enrollment kits for participant understanding first and system efficiency second.

Vanguard can help you deliver an effective communication program from literature to video to participant statements to meetings so that employees can make intelligent, informed decisions. We believe that when you focus on the fundamental issues–like candid communications–you will choose Vanguard for your 401(k) program.

THE Vanguard GROUP
OF INVESTMENT COMPANIES

Vontobel USA (EuroPacific)	3.1
AIG Global (EAFE)	3.1
Capital Guardian	3.1
Pictet Int'l (Sm. cap.)	2.9
Baring Int'l (Act. pass.)	2.8
Marvin & Palmer	2.7
Templeton Invst.	2.7
UBS Phillips & Drew (EAFE)	2.7
Julius Baer Invst. (Emblem)	2.6
Rowe Price-Fleming Int'l	2.6
Batterymarch Financial	2.5
Boston Int'l (GDP-wtd. EAFE)	2.5
J.P. Morgan Invst.	2.5
Rowe Price-Fleming Int'l (FDT)	2.5
The Principal	2.1
PCM Int'l	2.1
Citibank Invst.	2.1
State Street Asset	2.1
J.P. Morgan Invst.	1.9
Boston Int'l (Prime ctry.)	1.9
FTA Europe & Pacific	**1.9**
Boston Int'l (Prime V)	1.9
Prudential Divers. Invst. (EAFE)	1.8
MSCI EAFE	**1.8**
Ivory & Sime Int'l (Sm. cap.)	1.7
WorldInvest	1.7
Hill Samuel IAI	1.7
Wells Fargo Nikko	1.6
Scudder Stevens & Clark	1.6
G.T. Capital (EAFE)	1.6
Bankers Trust Invst. (EAFE)	1.6
Clay Finlay (EAFE)	1.5
Baring Int'l (EAFE)	1.3
Brown Brothers Harriman	1.3
Parametric Portfolio	1.2
Axe Core Invetors (ADR rep.)	1.2
Babson-Stewart Ivory	1.2

1-year returns

	%
Ladas & Hulings (Value)	34.5
BEA Associates	33.8
WorldInvest	22.7
Vontobel USA (EuroPacific)	19.8
Boston Overseas (EAFE)	19.7
AIG Global Investors (EAFE)	19.6
Wright Investor's Service	19.1
Waddell & Reed (Growth)	19.0
Gulfstream Global	18.3
Capital Guardian	17.8
Brinson Partners	17.7
The Principal	17.7
J.P. Morgan Invst.	17.7
Putnam Cos.	17.6
Marvin & Palmer	17.2
Rowe Price-Fleming (FDT)	17.2
Pictet Int'l (Sm. cap.)	17.1
Rowe Price-Fleming Int'l	17.0
G.T. Capital (EAFE)	17.0
Templeton Invst.	16.4
Baring Int'l (Act. pass.)	16.2
Martin Currie	16.0
J.P. Morgan Invst.	15.9
Edinburgh Wilmington Int'l	15.9
Crown Financial	15.7
Scudder Stevens & Clark	15.7
Dunedin Fund Managers (EAFE)	15.7
Citibank Invst.	15.4
Cseh Int'l (Low p/e)	15.0
Marathon Asset	14.9
Grantham Mayo van Otterloo (A)	14.5
Clay Finlay (EAFE)	14.5
Baillie Gifford	14.4
Babson-Stewart Ivory	14.4
Axe Core Investors	14.1
Hill Samuel IAI	13.9
Harris Invst.	13.8
Kleinwort Benson Int'l (Act.)	13.7
Boston Int'l (Prime ctry.)	13.5
Rowe Price-Fleming Int'l (IDF)	13.4
Ivory & Sime Int'l (Sm. cap.)	13.4
Baring Int'l (EAFE)	13.3
Pictet Int'l (Uncon.)	12.8
Prudential Divers. Invst. (EAFE)	12.6
FTA Europe & Pacific	**12.6**
MSCI EAFE	**12.5**

5-year returns

	%
BEA Associates	29.7
Ladas & Hulings (Value)	21.6
Boston Overseas (EAFE)	18.0
Morgan Stanley Asset	16.8
Ivory & Sime Int'l (Sm. cap.)	16.1
Templeton Invst.	16.1
Edinburgh Wilmington Int'l	16.0
State Street Asset	15.6
CIGNA Int'l Invst.	14.4
PCM Int'l	14.0
Cseh Int'l (Low p/e)	14.0
Grantham Mayo van Otterloo (C)	13.6
Batterymarch Financial	13.5
Brinson Partners	13.2
Clay Finlay (EAFE)	12.9
Hill Samuel IAI	12.9

PCM Int'l (Sm. cap.)	12.9
RCB Int'l	12.9
Rowe Price-Fleming Int'l	12.6
Putnam Cos.	12.2
Babson-Stewart Ivory	12.1
Scudder Stevens & Clark	12.1
Grantham Mayo van Otterloo (A)	12.0
J.P. Morgan Invst.	11.9
Murray Johnstone	11.8
Capital Guardian	11.8
AIG Global Investors (EAFE)	11.7
Dunedin Fund Managers (EAFE)	11.7
Rowe Price-Fleming Int'l (FDT)	11.5
Mercator Asset	11.5
Baillie Gifford	11.4
Kleinwort Benson Int'l (Act.)	11.3
G.T. Capital (EAFE)	11.2
FTA Europe & Pacific	**9.2**
MSCI EAFE	**9.0**

10-year returns

	%
BEA Associates	25.2
Templeton Invst.	22.8

Grantham Mayo van Otterloo (A)	22.2
Henderson Admin. (EAFE)	20.3
Putnam Cos.	20.1
WorldInvest	19.8
Brinson Partners	19.2
Rowe Price-Fleming Int'l	19.1
Capital Guardian	18.9
Bankers Trust Invst.	18.7
Schroder Capital	18.6
Hill Samuel IAI Invst.	18.5
MSCI EAFE	**18.5**
FTA Europe & Pacific	**18.4**

Top half PIPER managed global equity accounts

3-month returns

	%
Bee & Associates	13.7
Thompson Co. (Alpha)	8.7
IDS Advisory	8.6

GIM Global Advisory	8.3
Marvin & Palmer	7.8
AIG Global Investors	7.4
Trust Co. West	6.7
Capital Guardian (New persp. F)	5.8
First Interstate Bank of Calif.	5.6
IDS Advisory (Active)	5.4
Scudder Stevens & Clark	5.0
J.P. Morgan Invst.	4.5
Templeton Invst.	4.1
Brinson Partners	4.1
Henderson Admin.	3.9
Martin Currie	3.7
Lombard Odier Int'l	3.6
PCM Int'l	3.1
Van Eck Associates (World trends)	2.9
FTA World	**4.4**
MSCI World	**4.3**

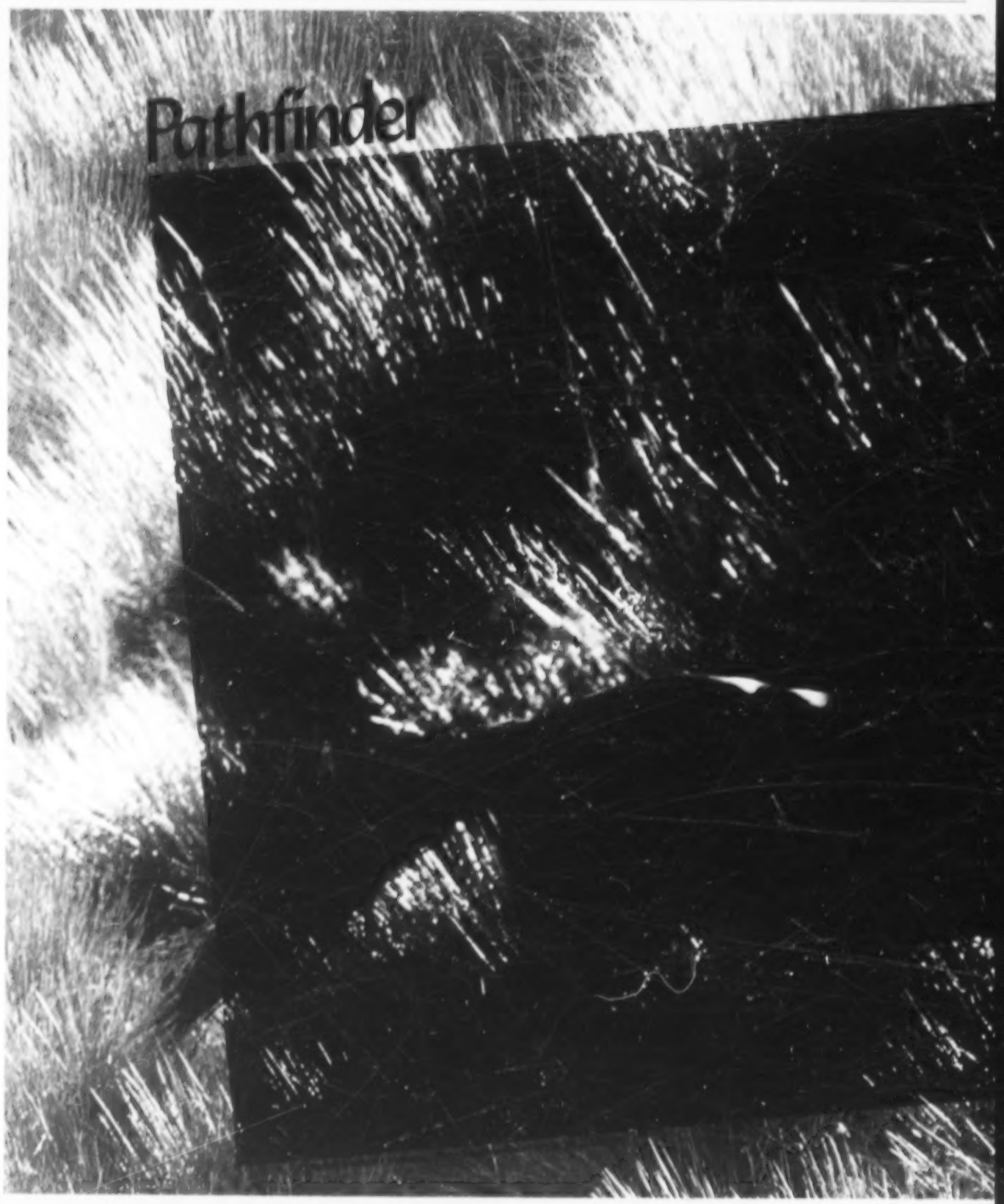
1-year returns

	%
Bee & Associates	46.6
Marvin & Palmer	36.4
Martin Currie	27.3

AIG Global Investors	26.2
Thompson Co. (Alpha)	26.0
Trust Co. West	25.9
Scudder Stevens & Clark	23.2
Brinson Partners	23.0
Capital Guardian (New persp. F)	22.7
Templeton Invst.	21.6
GIM Global Advisors	21.3
J.P. Morgan Invst.	21.2
G.T. Capital Mgmt.	20.3
Dunedin Fund Managers	20.0
FTA World	**19.7**
Putnam Cos.	19.6
WorldInvest	19.2
Lombard Odier Int'l	19.0
MSCI World	**19.0**
IDS Advisory	18.7
Marathon Asset (Active)	18.6

5-year returns

	%
Martin Currie	17.4
Brinson Partners	15.6
Burgess Capital	15.5



Marvin & Palmer	15.4
AIG Global Investors	15.3
Marathon Asset (Active)	14.1
Capital Guardian (New persp. F)	13.6
Babson-Stewart Ivory	13.3
Scudder Stevens & Clark	13.0
Burgess Capital	12.8
Warburg Invst (SL3)	12.3
J.P. Morgan Invst.	11.7
Templeton Invst.	11.6
Ivory & Sime Int'l (3)	11.5
FTA World	**11.3**
MSCI World	**11.0**

10-year returns

	%
Burgess Capital	22.2
Thompson Co. (Alpha)	22.0
WorldInvest	20.9
Putnam Cos.	19.2
Brinson Partners	19.2
IDS Advisory (Active)	19.1
Templeton Invst.	18.8
MSCI World	**17.3**
FTA World	**15.9**

Top decile PIPER managed balanced accounts

3-month returns

	%
Cheswick Invst.	17.0
Essex Invst.	16.7
Equitable Capital (Strategic)	15.1
Northern Capital (Asset alloc.)	14.9
Provident Invst. Counsel	14.0
Capstone Asset (Growth)	13.9
Chase Invst. Counsel	13.4
Quaker Capital	12.6
Fred Alger Mgmt.	12.4
Montag & Caldwell	12.1
Potomac Asset	12.1
Roxbury Capital	12.1
Kemper Asset	11.5
Caldwell & Orkin	11.5
Davidson, Garrard & Goode	11.3
First Wisconsin Asset	10.9
J. & W. Seligman	10.8

1-year returns

	%
Quaker Capital	63.7
Essex Invst.	55.2
Cheswick Invst.	51.6
Rittmann Capital	51.1
Provident Invst. Counsel	50.0
Caldwell & Orkin	44.8
Northern Capital (Asset alloc.)	43.3
Denver Invst.	42.7
Equitable Capital (Strategic)	41.9
Fred Alger Mgmt.	41.1
Capstone Asset (Growth)	40.9
Atalanta/Sosnoff Capital	40.8
Turner Invst. Partners (Core)	39.0
Stephenson and Co. (Value)	37.3
Galleon Capital	36.8
Roxbury Capital	36.6
Harris Bretall Sullivan Smith (Gro.)	36.3

5-year returns

	%
Essex Invst.	21.3
Provident Invst. Counsel	20.2
Quaker Capital	19.8
Cheswick Invst.	19.6
Institutional Capital	19.6
Turner Invst. Partners (Core)	19.5
Investment Counselors	18.9
Capstone Asset (Growth)	18.6
Oxford Capital	18.6
Caldwell & Orkin	18.0
R.D. Hill & Associates	17.3
Chase Invst. Counsel	17.0
Lincoln Capital	16.8
Harris Bretall Sullivan Smith (Gro.)	16.8
Roxbury Capital	16.6
Value Line	16.4

10-year returns

	%
Provident Invst. Counsel	20.7
Caldwell & Orkin	20.5
Davenport & Co. of Va.	19.3
Columbus Circle	19.3
Value Line	19.3
Investment Counselors	19.2
Institutional Capital	19.1
Dean Invst.	18.9
Tom Johnson Invst.	18.9
Essex Invst.	18.8
Wedge Capital	18.6
Harris Bretall Sullivan Smith (Gro.)	18.5

Top decile PIPER managed TAA accounts

3-month returns

	%
Investment Advisors (Balanced)	11.3
Mellon Equity (Quant.)	11.0
Rightime Econometrics	11.0
Chancellor (Stockshift 200)	9.8

1-year returns

	%
Chancellor (Stockshift 200)	50.1
Chancellor (Stockshift 150)	40.7
Mellon Equity (Quant.)	34.9
Forstmann Leff (Balanced)	32.3

5-year returns

	%
Chancellor (Stockshift 200)	23.1
Chancellor (Stockshift 150)	18.8
Quantilogic Asset	17.6

10-year returns

	%
J.P. Morgan Invst.	19.5
Wagstaff, Lodefink & Assoc.	19.2

Study finds most active audit firms

NEW YORK — The accounting firm of Ernst & Young performed the most audits of publicly held companies in the world last year, a study by the Center for International Financial Analysis & Research showed.

Ernst & Young led not only in the number of companies audited, 3,231, but also in total value audited, $10.228 trillion. Total value was based on asset figures for financial companies and sales for all other firms.

Klynveld Peat Marwick Goerdeler ranked second by both measures, while Deloitte Ross Tohmatsu ranked third in number of audit clients.

Coopers & Lybrand was third in total value audited.

KPMG was the largest firm in terms of offices and partners, with 864 offices and 6,530 partners.

The study also compared the annual reports of the world's 1,000 largest companies representing 44 countries.

The study found that companies in Scandinavia, the United States, the United Kingdom, Canada and Australia provided the most information in their corporate annual reports.

However, some emerging capital markets such as Singapore, Malaysia and Hong Kong provide better disclosure on average than companies from leading economies such as Japan, Germany, France, Switzerland, Italy and the Netherlands.

Vinod Bavishi, founder of the center, said when institutional ownership is great, such as in Germany, less information is disclosed in annual reports.

Disclosure increases in countries where more capital is obtained from foreign sources, and is greatest where there are many more individual or independent investors. ■